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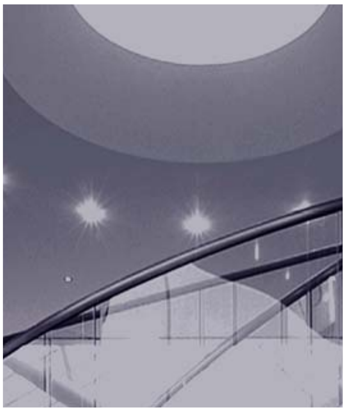
Annual Report & Accounts 2002

Savills plc

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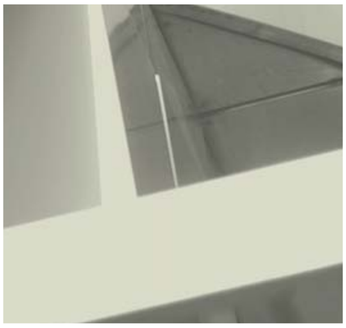


Financial Summary

- Turnover up 20% to £282.3m.
- Group operating profit up 60% to £29.2m.
- Pre-tax profit before permanent diminution in value of investment property £24.7m.
- Operating cash flow increased to £46.3m.
- Adjusted basic earnings per share before permanent diminution in value of investment property 22.8p. Basic earnings per share 15.1p.
- Final dividend of 6.8p per share making a total for the year of 10.2p, representing a 5% increase over the dividend of 9.75p for the year to 31 December 2001.

Financial Calendar

Results announced	4 March 2003
Ordinary shares ex-dividend	9 April 2003
Annual General Meeting	7 May 2003
Proposed final ordinary dividend payment date for shareholders on the Register at 11 April 2003	14 May 2003

Registered Office

Savills plc, 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ

Tel: + 44 (0) 20 7499 8644 Fax: + 44 (0) 20 7495 3773

Registered in England No. 2122174

Chairman's Statement

Richard Jewson

Results

I am delighted to report a strong set of results reflecting an outstanding operating performance in our core businesses. Once again, the Group's success is due to our talented and hard working staff, particularly bearing in mind the continued widespread concerns about property transactional markets in the UK and overseas and general levels of corporate profitability.

Against this background Savills has performed outstandingly well and I am pleased to announce turnover increased by 20% to £282.3m (2001 - £235.4m). Group operating profit of £29.2m (2001 - £18.2m). Group operating profit margins were 10% (2001 - 8%). Pre-tax profit was £24.7m before permanent diminution in value of our investment in The Mill Discount Department Store (2001 - £21.6m).

Adjusted basic earnings per share before permanent diminution were 22.8p (2001 - 24.2p). Basic earnings per share reduced to 15.1p (2001 - 24.2p), this was largely due to: an increased tax charge as a result of disallowable losses on the permanent diminution of investment property; and the substantial write-down of goodwill in respect of our facility management joint venture Trammell Crow Savills.

Shareholders' funds increased to £88.5m (2001 - £87.1m). Cash balances increased to £53.4m (2001 - £40.3m).

Dividend

The Board is recommending a final dividend of 6.8p to those shareholders on the register on 11 April 2003, payable on 14 May 2003, making a total for the year of 10.2p (2001 - 9.75p), which represents a 5% increase. This increase is in line with our progressive dividend policy and reflects long-term confidence in the business.

Highlights

The Group continues to expand within the UK and overseas to increase the range of services and its geographical spread by the acquisition of quality staff as opportunities have arisen. This expansion has made a major contribution to the outstanding performance of the UK commercial businesses which increased profit before interest and tax by 42% to £11.5m (2001 - £8.1m).

In the UK, our commercial investment teams were a major beneficiary of strong market conditions as investors recognised that property has now significantly outperformed gilts and equities over a range of time periods and that it provides an excellent diversification to their portfolios.

After the caution in the residential markets in late 2001 following 11 September, the start of 2002 saw a strong return to the residential agency markets, which continued throughout the year. This was particularly evident for new build properties, where the market saw high demand.

In mainland Europe, we have expanded our market presence by opening new offices in Barcelona, Milan and Rome. We have also agreed the purchase of the minority shareholding in our existing European subsidiaries.

The Asian business continues to expand its market position and Hong Kong's core agency business division was a market leader. Despite keen competition and a tough operating environment, FPDSavills Guardian and FPDSavills Property Management businesses were able to achieve their annual targets. The property management business in China continued to strengthen and to take advantage of growth potential in the region. Similarly, Australia has benefited from strong export growth and the economy has performed favourably, attracting foreign investment.

We continue to work closely with our strategic partner in the US, Trammell Crow Company. Following the frustration of failing to secure two potentially very large outsourcing contracts with German companies, resulting in a substantial write-off in goodwill and pursuit costs, our joint venture company, Trammell Crow Savills, is concentrating on smaller outsourcing projects.

The Group's principal property trading subsidiary, Grosvenor Hill Ventures, continues to make selective investments in out of town retail sectors and to promote a strategy for joint venture investment. The Mill Discount Department Store is continuing to increase footfall and revenues. However, the Group's strategy is to move away from direct management of property assets. A provision of £4.3m has been made against the investment property in the Accounts for the year to 31 December 2002.

At the Annual General Meeting (AGM) held on 30 April 2002 shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 5% of the issued share capital. As announced on 30 December 2002, the Company undertook an irrevocable, non-discretionary programme to re-purchase its own shares during the close period. During this period we bought 350,000 shares for cancellation under this programme. The Company intends to make further purchases of shares under this authority in the open period up to the AGM to be held on 7 May 2003.

Board

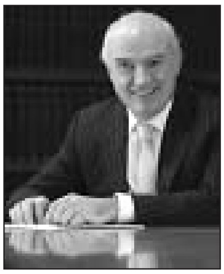
Fields Wicker-Miurin and Timothy Ingram were appointed as Non-Executive Directors with effect from 27 June 2002. We welcome the experience they bring and the contribution they make to our discussions. As announced in June 2002, after six years on the Board, David Craig resigned as a Non-Executive Director on 30 June 2002 and we thank him for his valuable contribution to the Company. On 28 August 2002, Derek McClain replaced E Stevenson Belcher as one of the Directors nominated to the Board under the terms of our strategic alliance with Trammell Crow Company.

Outlook

Commercial investment markets in London are showing signs of slowing, partly as a result of continuing weakness in the corporate letting market. Levels of activity in the residential markets have reduced, especially in London, as purchasers remain cautious as a result of depressed financial markets and the risk of international instability. However, the demand for professional services is high and our strong property management business underpins revenues, particularly in Asia.

With a lean and flexible cost base, together with highly skilled and motivated staff and a strong balance sheet, the Board remains confident that we are well placed to respond to changes in the market in 2003.

Richard Jewson, Chairman



Group Chief Executive's Review of Operations

Aubrey Adams

2002 was an excellent year for Savills at a time when property markets were mixed. There was continuing strong demand for high quality investments although occupational markets remained weak throughout the year as many major corporates in the financial and technology sectors downsized their space requirements. Demand for professional services was generally strong throughout all sectors of our business. Against this background, our European commercial business reported record turnover of £12.1m and pre-tax profit of £3.6m. Residential Agency performed well throughout the year after a very strong start but a noticeable slackening of demand towards the end of 2002 has continued. These results also reflect a permanent diminution in the value of The Mill Discount Department Store of £4.3m and write-offs in respect of goodwill and business pursuit costs for our facility management joint venture, Trammell Crow Savills.

We continue to develop our business by recruiting staff and, in Europe, average staff numbers were up 4%. We are also always looking for areas to expand the scope of our business by offering new services and opening new offices.

We continue to work closely with our strategic partner in the US, Trammell Crow Company, to develop our mutual international business.

Transactional Advice

The Transactional Advice business stream comprises commercial, residential, agricultural agency and investment advice on purchases and sales. During the year turnover was £124.1m (2001 - £103.3m), representing 44% of our total turnover, generating profit before interest and tax of £20.0m (2001 - £12.2m).

Commercial Agency

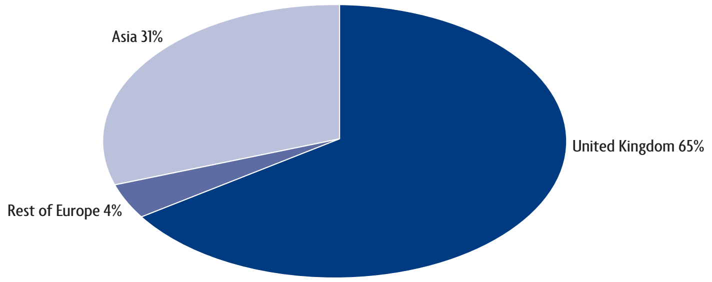
The West End office Leasing and Development team performed strongly in a challenging market which saw activity down 20% on 2001 and a further softening in rents. Key transactions included the successful completion of the pre-letting of the entire 340,000 sq ft office element within the 1st phase of PaddingtonCentral on behalf of Development Securities plc.

Other significant deals included:

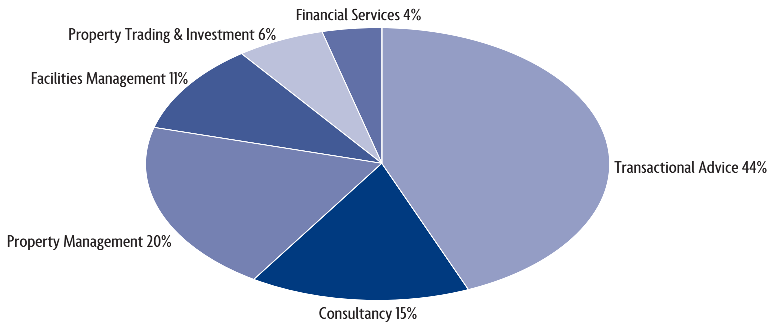
- strategic relocation advice resulting in the acquisition of a new 69,000 sq ft headquarters in Kensington for EMI Group plc; and
- the acquisition and subsequent freehold disposal of 111 Edmund Street, Birmingham, a 45,000 sq ft office redevelopment on behalf of Barwood Developments Ltd to solicitors Gateley Wareing.

The European offices enjoyed another successful year with record profits. During the year we significantly expanded our market presence in Europe with the opening of new offices in Barcelona, Milan and Rome. The success of the business was fuelled by a number of large investment transactions in Spain, France and Germany, with German open-ended funds in particular continuing to invest substantial sums in the European

2002 Turnover by Region



2002 Turnover by Segment



real estate markets. In Berlin, we made additions to our new industrial, office agency and investment teams.

In Hong Kong, the transactional markets remained difficult, but our Hong Kong office performed well and exceeded our expectations. Shanghai, despite losses in the first three quarters, began to contribute positively to the profits in the last quarter.

Residential Agency

The residential markets started 2002 strongly due to a pent-up demand after the autumn lull following 11 September. New offices in Chiswick, Sunningdale, Southampton and Canford Cliffs took our UK residential network to 47 offices. Trading remained strong throughout the year, although prime central London homes became harder to sell in the second half, due to falling equity prices and job losses in the City. By contrast, central London flat departments had a record year as a result of demand for large lateral space from mainly international buyers.

In total, almost 2,500 properties were sold during the year equating to over £2bn in value, an 11% uplift on the previous year. The average property made £1.35m in London and £600,000 in the country last year. Highlights included the sale of a house in Belgravia at around £19m and Combe Hay Manor, Somerset, at well in excess of its £6m guide price. Prime barriers were broken for houses in Fulham and Wandsworth, and the sale of Narborough set a new record for the sale of a house in Norfolk (guide price £2.25m).

In February 2002, FPDSavills launched Prime Purchase, a wholly owned subsidiary which specialises in the search and acquisition of residential property in central London as well as houses, farms and estates in the country on behalf of retained clients. Of particular note were the acquisition of a large family house in prime Notting Hill for over £5m and the purchase of St. Clair's in Hampshire, a residential, sporting and farming estate of over 950 acres.

Auctions

The London Auction department held eight auctions last year, offering over 600 lots and achieving an average success rate of 87%. The value of the average lot was £210,000, with a significant increase in the number of higher lots sold, eight going for over £1m, with £4m being the highest. This reflects growing seller confidence in auctions as a quick way of achieving premium prices.

New Homes

The New Homes division turned in a record performance in 2002, with demand continuing from private investors in the buy-to-let market. Unit sales increased to 3,197, with a total value of £1.15bn, an increase of 41% on last year. New operations in Southampton and Scotland now mean that we offer residential development services from 18 of our UK offices. We carried out a number of successful exhibitions of London developments in South Africa and continue to identify new markets for the promotion of UK housing stock.

Development

The national Development department enjoyed significant growth through 2002 and is now dealing with over 25,000 acres of development land, 85% of which is now on brownfield sites.

The number of major development consultancy instructions has also increased, providing solid recurring income. In Swansea we have been instructed as lead development consultants by the Welsh Development Agency on a 100 acre scheme comprising more than 1,000 residential units and 2.5m sq ft of mixed commercial/retail institutional development.

Major projects this year included:

- £4m conversion of a previous Bookers Cash & Carry unit into a bespoke call centre on behalf of Green Property Management Limited;
- £4m, 90,000 sq ft distribution depot of Schneider Electric Limited; and
- acting as Stanhope/Chelsfield's residential development consultants on the Stratford City project (73.4 hectares).

The Development department has continued to be involved in providing planning strategy and viability advice across all sectors, including master-planning for developers undertaking a variety of schemes, totalling over 25m sq ft and including some of the largest projects in London. The team advised Quintain Estates and Developments PLC on the acquisition of property surrounding Wembley Stadium. This team also advised Meridian Delta Ltd on the regeneration of Greenwich Peninsula and provided regeneration advice to a range of public authorities such as Lambeth, Islington, Hackney and Hounslow Borough Councils, as well as housing charities such as the Peabody Trust.

Residential Letting

The Residential Letting business had one of its most difficult years in recent times. Demand fell in London due to the large US corporations, which make up 60% of the market, laying off staff and cutting housing budgets. Outside London, the lettings market has also softened as a result of low interest rates, which in some cases has made mortgages cheaper than renting. Looking forward, the lettings market can often thrive when residential markets become more difficult and cautious buyers prefer the short-term commitment of letting as opposed to the long-term commitment of buying.

Farm and Estate Agency

2002 was an exceptional year for country house sales and the market for commercial farms recovered after the previous year, which was marred by foot and mouth. While the market remains difficult for the average property, some notable results confirmed that the outstanding property will always achieve a premium, even against a more troubled economic background.

Highlights included:

- the sale of the Tyntesfield Estate, 1,870 acres in Bristol, the major part of which sold to the National Trust; and
- the sale of Encombe, 2,026 acres including 2.4 miles of World Heritage Coastline, on the south Dorset coast.

Commercial Investment

Our Investment team was a major beneficiary of a strong market and concluded transactions in excess of £2bn. The buying teams were also particularly strong in the retail warehouse sector, with acquisitions in Lowestoft, Rochdale and Birstall. A notable transaction of the year was advising DIFA on the acquisition of Sainsbury's headquarters at 33 Holborn for circa £240m.

Other key transactions included:

- the sale on behalf of Pillar Property plc of eleven retail parks in The Gateway Portfolio to Morley Fund Management for £183m;
- the sale on behalf of Delancey of 151 Buckingham Palace Road, London for £185m;
- the acquisition of Bridgewater House for the UBS Triton Property Fund for £21.1m; and
- the acquisition of the Somerfield National Distribution Centre for Isis Asset Management plc for £21.4m.

During the year the Commercial Business Space team represented Arlington Property Investments in simultaneously acquiring The Quays, Oxford Road, Uxbridge, an 87,000 sq ft headquarters from the Lincoln Group and leasing it on a 20 year lease to Parexel International Limited.

Retail

The Retail Warehouse team has had another successful year increasing turnover and profit on last year. Operating from offices in London, Manchester and Edinburgh the team has increased market share by growing its landlord and retailer client base. The team has acquired and let over 1.8m sq ft of floor space for retailers such as B&Q, Argos and Uniqlo.

Healthcare

The Healthcare team have seen an increase in activity within the care sector over the past 18 months, which has resulted from lower interest rates and improved availability of bank funding for acquisitions and improvements. The team has advised on 190 healthcare properties with valuations and sales in the order of £240m.

Some notable instructions included:

- Highcare Group plc sold its entire issued share capital to Ridgemont Holdings Limited at an asking price of £12.75m; and
- the acquisition of the business and assets from Elifar on behalf of Robinia Care plc.

Fund Management

The UK Fund Management department has enjoyed its most successful year with a high level of activity throughout 2002. The department is focusing on the expansion of indirect funds which will form a key part of its strategy in 2003. With both institutional and private clients rebalancing portfolios, the department administered £920m of funds, half of which were on a discretionary basis. One highlight of 2002 was the expansion of The Charities Property Fund, which now has just under £100m worth of assets.

Consultancy

Our Consultancy business generates fee income from a wide range of professional property services including valuation, building consultancy, landlord and tenant, rating, planning, strategic projects and research. Profit before interest and tax for the year was £6.3m (2001 - £5.6m) on turnover of £43.0m (2001 - £37.3m).

Valuation

The Commercial Valuation team has enjoyed another year of increased growth in turnover and profitability. The main focus of business is on London and the South East, together with the major cities in the UK. We have recently established a commercial valuation team in Manchester. Europe remains a significant growth opportunity for the department and we have expanded our valuation teams in both Paris and Frankfurt. The bulk of the fee income has again been generated from loan security valuations, helped by a strong investment and finance market and low cost of money. We have advised on the two latest securitisations at Canary Wharf. Other notable instructions include advising Arsenal Football Club for finance purposes on the relocation of its stadium and the development potential released from the existing site and the valuation of a number of landmark residential and commercial investment and development properties.

The Residential Valuation department has continued to grow and is now the largest team of residential valuers in central London. FPDSavills has co-sponsored significant research into relative lease length values in central London which will reinforce our position as the market leaders in this area. The Commonhold and Leasehold Reform Act 2002 has provided significant opportunities to act for both landlords and tenants who wish to extend leases or purchase freeholds. Litigation support services have continued to grow and have been involved in several high profile cases including Lambert and Lambert, the record divorce settlement and the successful and far reaching Antrobus Gains Tax Relief action against the Inland Revenue.

Building Consultancy

The commercial Building Consultancy team had another successful year continuing an annual trend of lifting income and profit by strengthening the team with the appointment of senior staff and expanding building surveying into the Birmingham office. Increased emphasis has been given to sector focus and depth of expertise. Geographical coverage has been extended to mainland Europe, managing fitting out projects for occupiers in Amsterdam, Munich, Milan and Brussels and advising clients in Madrid and Athens.

In the social housing sector we have enjoyed another year of expansion and remain market leaders in the provision of stock condition surveys. We have also expanded our procurement advisory services with several senior appointments and have advised on the procurement strategy of refurbishment expenditure of £750m required over a five year period to some 80,000 dwellings.

Our wholly owned subsidiary CMI Project Services Limited has continued to advise Hutchison Whampoa on the project management of Albion Riverside, a mixed development comprising 190 luxury apartments together with affordable housing and commercial units close to Battersea Bridge. They have also provided project management services to Pembroke Real Estate (a subsidiary of Fidelity Investments) on their Millharbour project, comprising 1m sq ft commercial office development in London Docklands and to Reebok for their new sports club at Canary Wharf.

The residential Building Consultancy team has expanded its range of services and is now a registered architects practice with RIBA qualification. A specialism has been converting large houses and institutional buildings into apartments, both in London and nationwide.

Landlord and Tenant

2002 was a record year for the Landlord and Tenant department. These figures were the result of a combination of factors and were achieved against a background of mixed occupational demand. The strongest income streams were produced by central London and Out of Town retail teams.

In 2003, out of town retail is expected to feature strongly in overall performance as this market continues to out-perform other sectors in terms of rental growth. Key instructions confirmed for 2003 include Fosse Park South, Monks Cross and Middlebrook, all of which are landmark schemes. Improved income levels are also expected in the High Street and Industrial sectors.

Rating
The Business Rates team achieved an average reduction last year of over 7% against a Government target to limit rateable value reductions to 4.7%. Successes came both from appeals against initial assessments and from subsequent appeals following changes to clients' properties. Notable successes of the team were from an amusement machine manufacturer, wholesaler and boutique hotel company, on which cumulative savings on two properties will be in excess of £1m.

Planning
The Planning division continues to grow and during the year we established a planning department in Birmingham. The Planning division is now one of the ten largest planning consultancy teams in the UK, operating from nine locations and handling projects across the residential, commercial, leisure, retail, institutional and energy sectors.

Notable successes during the year included:

- obtaining planning permission on behalf of Persimmon Homes for 100 apartments, 37,000 sq ft of offices, leisure uses and a piazza as a major regeneration project; and
- securing a major development area of 3,000 dwellings, 10 hectares of business space, leisure, education and transport infrastructure at Aylesbury for a consortium of developers.

Housing Consultancy
We continue to enjoy a regular flow of valuation work throughout the UK from our affordable landlord clients and their lenders. New areas of business have opened up including advice on urban regeneration and asset management strategies, often in areas of housing stress. As our clients have diversified into new types of property, so we have grown the range of advice on offer.

Our affordable development and special projects business has expanded with an increasing number of developers looking to us for advice on land for affordable housing and Section 106 planning strategy. The Housing Consultancy department have also been finding sites for Housing Associations and their developer partners, a sector which is now attracting increasing institutional interest.

Research
The Research team remains unique amongst property service companies in offering information, analysis and research consultancy services across all major property sectors, including commercial, rural and residential property, as well as niche markets such as leisure and hotels.

In 2002, the team added a new specialism in land and mixed development issues. Recent government directives and planning guidance has meant that development increasingly takes place on complex urban sites.

Property Management
The Property Management business continues to perform in line with expectations in generating fee income from managing commercial, residential and agricultural properties for owners. During the year, turnover was £56.4m (2001 - £49.7m), generating a profit before interest and tax of £3.1m (2001 - £2.9m).

Commercial and Residential Management
The commercial property management business had an excellent year achieving record profits. This follows a period of investment in this business by both recruitment of senior staff and the introduction of a new state of the art database and accounting system across all our commercial offices. The main focus of the business is on managing high quality office and retail buildings including 1 Curzon Street, Mayfair managed on behalf of CGI-HausInvest and The Brewery, Romford for Henderson Global Investors and Clerical Medical.

We continued to expand our consultancy teams in Europe including the establishment of a property management department in Madrid.

In Hong Kong, the property management business continued to perform well. Despite almost flat revenue growth in 2002, the business achieved its financial targets. One notable transaction was to secure sixteen new management contracts with a total area of 700,000 sq m. In China, the property management business performed strongly, managing over 10m sq m of top grade commercial and residential space concentrated in Shanghai, Beijing, Guangzhou and other major cities.

Australia performed strongly in 2002 with record revenues up 13.5% on the previous year. During the year the Group were appointed to manage a 90,000 sq m shopping centre currently under construction in Dubai and currently manage over 160 shopping centres in Australia.

2002 was a year of consolidation within the institutional residential sector. Our most significant achievement was successfully re-tendering for the management of a larger proportion of the Schroders Residential Property Unit Trust portfolio. During the year we completed the transfer of the ING Residential Fund and we now manage the whole of their English portfolio. Many of our existing clients have also added to their portfolios during 2002. We successfully tendered for the management of a new and innovative residential fund launching in spring 2003 with an initial investment target of £50m plus gearing.

Land and Farm Management

Against a backdrop of continuing rural recession our land and farm management market share increased significantly during 2002. A number of significant estate management mandates were won both from private and corporate clients. Likely changes emanating from the Curry Report, CAP mid-term review and ever increasing regulation of the countryside have increased demand for our wide range of professional services.

A specialist team has been created to service the emerging business from renewable energy. We have also widened our expert witness service in the face of increasing property litigation. A new service has been created to aid clients in recruiting leaders in various types of rural business.

Aubourn Farming, our specialist farming subsidiary, acquired the South & West Partnership of Andersons during 2002. This move has substantially increased the Company's market share, broadened our range of specialist skills and provided national coverage throughout England. Challenges to farming are ever increasing and Aubourn's resources are increasingly required in the restructuring and management required for businesses to remain viable.

Facilities Management

Our Facilities Management operation consists of two main parts; FPDSavills Guardian in Hong Kong and Trammell Crow Savills in Europe. During the year, the loss before interest and tax was £2.3m (2001 - profit £2.3m) on turnover of £29.8m (2001 - £32.6m).

FPDSavills Guardian continues to perform well securing five new government property management service contracts with total contract value in excess of HK$120m.

Following the frustration of failing to secure two potentially very large outsourcing contracts with German companies, resulting in a substantial write-off in pursuit costs, our joint venture company, Trammell Crow Savills, is concentrating on smaller outsourcing projects mainly in the UK.

Property Trading and Investment

Grosvenor Hill Ventures, our principal property trading subsidiary, has continued to make selective joint venture investments in the out of town retail sector. The Group's interest in Managed Office Solutions (GHV), our managed office space business, made good progress which should continue throughout 2003.

After a difficult start to the year, The Mill Discount Department Store is trading well. However, the Group's strategy is to move away from direct management of property assets. A provision of £4.3m for permanent diminution in value of this property has been made in the Accounts for the year to 31 December 2002.

The loss before interest and tax for the Property Trading business for the year was £4.7m (2001 - loss of £0.4m) on turnover of £17.0m (2001 - £4.3m).

Financial Services

The Financial Services division is mainly comprised of Savills Private Finance Limited, which focuses primarily on residential mortgage broking and associated financial products. During the year profit before interest and tax for the Financial Services businesses was £1.6m (2001 - £2.5m) on a turnover of £12.0m (2001 - £8.2m).

Savills Private Finance established itself as one of the leading providers of mortgage finance to the high net worth market. Mortgages in excess of £1.5bn were arranged and Savills Private Finance is now operating from ten locations throughout the UK, with two further offices in Southampton and Glasgow planned for 2003. Both the Commercial Debt Broking and specialist independent Financial Planning teams made significant contributions and further growth is planned for both divisions.

Aubrey Adams, Group Chief Executive

Financial Review

Robert McKellar

Results for the Year

Group turnover increased by 20% from £235.4m to £282.3m. Group profit before tax reduced from £21.6m to £20.4m and basic EPS fell from 24.2p to 15.1p. During the year the business incurred several abnormal and significant trading expenses in arriving at the profit on ordinary activities before interest which are identified below:

- Operating losses from associates includes £4.5m share of losses from Trammell Crow Savills of which £1.25m relates to pursuit costs incurred pursuing two large facilities management contracts, £2.4m is impairment of goodwill and £0.2m is annual goodwill amortisation.
- The disposal of our interest in our subsidiary undertaking in Brussels gave rise to a £0.2m loss.
- During the year a decision was made to write down the carrying value of our investment in The Mill Discount Department Store, West Yorkshire. A permanent diminution in the value of our investment of £4.3m was recognised together with a further write down at the operating profit level of £1.2m on fixtures and fittings.

Acquisitions and Disposals

During the year we have completed a number of acquisitions and disposals of businesses or interests in ventures, both in the UK and overseas including:

- On 19 April 2002 the Group acquired the chartered surveying company, Hutton Simpson Limited for £1.4m including acquisition costs.
- During the year the Group disposed of its 64% interest in FPDSavills Belgium SA for a loss of £0.2m.
- On 26 April 2002 the Group acquired the farm consultancy business Anderson South & West for £0.5m, including acquisition costs.
- On 9 May 2002 the Group acquired a further 12% of the shareholding in FPDSavills Australia for £1.0m bringing our shareholding to 78.5% at 31 December 2002.

Treasury Activities and Policies

The Group's treasury operations are co-ordinated and managed in accordance with policies and procedures approved by the Board. They are 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's financial instruments comprise borrowings, some cash and liquid resources and various other items such as trade debtors and trade creditors that arise directly from its operations. The Group does not engage in trades of a speculative nature.

Further details of financial instruments are provided in Note 18 to the Accounts. The Board reviews and agrees policies for managing each of the above-mentioned risks. These have remained unchanged during the year under review and are summarised below.

Interest Rate Risk

The Group finances its operations through a mixture of retained profits and bank borrowings, at both fixed and floating interest rates. It then uses interest rate caps, when appropriate, to manage its exposure to interest rate fluctuations. At the year end, 8% of the Group's borrowings were at floating rates. The Group has no set policy with regard to the proportion of debt it maintains at fixed rates of interest.

Liquidity Risk

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. Short-term flexibility is achieved through overdraft facilities. At the year-end, 0.4% of the Group's borrowings were due to mature in more than five years' time.

Foreign Currency Risk

Our policy is for each business to borrow in local currencies where possible. The Group does not actively seek to hedge risks arising from foreign currency transactions due to their non-cash nature and the high costs associated with such hedging.

Borrowing

The Group retains substantial short-term money market facilities with its bankers which are currently not utilised. The purpose of these facilities is to provide working capital for the core Group businesses. In addition, loan facilities are used within Grosvenor Hill Ventures Limited to finance specific property projects. These loans are project specific and without recourse to the parent company.

Net Interest

Net interest payable is £0.4m (2001 - £0.7m). Higher operating cashflows together with a £9.8m reduction on debt secured on trading property assets, reduced the net interest payable.

Taxation

The taxation charge increased to 49.6% of the profit before tax compared with 31.9% during the year to 31 December 2001. The high rate of taxation was a direct result of disallowable losses on the write-down of goodwill on our facility management joint venture, Trammell Crow Savills and on the permanent diminution in the value of the investment property, The Mill Discount Department Store.

Minority Interests

The Minority Interest share increased to £1.7m (2001 - £1.1m) due to higher profits from our continental European business where the Company holds a 52.8% shareholding.

Earnings and Dividend

Basic earnings per share amounted to 15.1p (2001 - 24.2p). Adjusted basic earnings per share before permanent diminution in value of investment property 22.8p (2001 - 24.2p).

The Board is recommending a final dividend of 6.8p (net), making 10.2p for the full year, a 5% increase on last years 9.75p. The dividend will be paid on 14 May 2003 to shareholders on the register at 11 April 2003.

Share Capital

During the year ended 31 December 2002, 88,530 shares were issued to participants in the Savills plc United Kingdom Executive Share Option Scheme and 60,494 to participants in the Savills Sharesave Scheme. A further 95,081 shares were issued to the QUEST, bringing the total number of ordinary shares in issue at 31 December 2002 to 63.2m (2001 - 62.9m). Since the year-end, 350,000 shares were re-purchased for cancellation as at 4 March 2003.

Cash Flow and Liquidity

Net cash inflow from operating activities totalled £46.3m which, after allowing for cash flows including taxation, dividends, investments and capital expenditure (see below), produced a net increase in cash of £10.1m. At 31 December 2002, the Group's cash at bank and on short term deposit amounted to £53.4m. This was deposited with banks and financial institutions with top credit ratings for periods not exceeding six months, to match known outgoings.

The Group continues to operate a centralised treasury function, which is not a separate profit centre but purely provides a service to the operating companies.

Investments and Capital Expenditure

Cash outflow from Group investments and capital expenditure amounted to £4.3m.

Intellectual Property

No value is attributed in the Group balance sheet to internally generated intangibles such as brand name or intellectual property rights.

New Accounting Standards

Financial Reporting Standard 19 - "Deferred Tax" has been adopted for the first time in these financial statements. As required by the Standard, deferred taxation has been calculated using the full provision approach rather than the partial provision approach previously employed. This change has been accounted for as a prior period adjustment and previously reported figures have been restated accordingly. This has resulted in a deferred tax asset of £1.0m being recognised as at 31 December 2002 (2001 - £1.0m). The restatement of the prior year figures had no impact on the tax charge to 31 December 2002 or to 31 December 2001.

Full adoption of Financial Reporting Standard 17 - "Retirement Benefits", (FRS 17) issued in November 2000 by the Accounting Standards Board, replaces SSAP 24 "Accounting for pension costs", has been deferred by the ASB until periods beginning on or after 1 January 2005. In accordance with the second year transitional arrangements of FRS 17, certain additional disclosures are included in Note 7 on pages 36 to 38. These include the comparatives for the opening balance sheet, previously disclosed in the first transitional year, as well as the amounts that would have been recognised in the current year's Profit and Loss Account and Statement of Recognised Gains and Losses.

The table in Note 7 illustrates that if FRS 17 had been in force as at 31 December 2002, the net worth for the Group would have been reduced by £17.7m (2001 - £11.5m) as a result of a shortfall in the scheme's funding. The Board is reviewing a number of alternative options for providing employee pension benefits due to the increasing economic risk and uncertainty that determine the pension valuations going forward.

Robert McKellar, Finance Director

Directors

The following are on the Board of Directors at 4 March 2003:

Richard Jewson

Chairman ■●◆

Aged 58, was appointed to the Board as a Non-Executive Director on 1 May 1994, appointed Chairman on 1 March 1995 and is Chairman of the Remuneration and Appointment Committees. He is currently also Chairman of Archant Limited, Octagon Healthcare (Holdings) Limited and Queens Moat House Plc and a Non-Executive Director of Grafton Group plc, Temple Bar Investment Trust plc and Anglian Water Services Limited.

Aubrey Adams

Group Chief Executive

Aged 53, was appointed to the Board on 12 February 1990, was appointed as Managing Director on 19 December 1990 and as Group Chief Executive on 1 June 2000. His Non-Executive Directorships include Associated British Ports Holdings PLC.

William Concannon

Non-Executive Director ■

Aged 47, was appointed to the Board as a Non-Executive Director on 30 June 2000. He is currently President and Chief Executive Officer of Trammell Crow Corporate Services, Inc., Trammell Crow Company's outsourcing services subsidiary. He serves on the Trammell Crow Company Board of Directors. He is based in the US.

Jeremy Helsby

Director

Aged 47, joined Savills in 1980 and was appointed to the Board on 1 May 1999. He became Chairman of FPDSavills Commercial Limited on 1 January 2001 and is a Director of Trammell Crow Savills Limited and FPDSavills Asia Pacific Limited.

Simon Hope

Director

Aged 38, first joined Savills in September 1986 and was appointed to the Board on 1 May 1999. He is head of FPDSavills Commercial Investment, Chairman of Grosvenor Hill Ventures Limited, the direct property investment subsidiary and a Director of Savills Finance Holdings plc.

Timothy Ingram

Non-Executive Director ■●◆

Aged 55, was appointed to the Board on 27 June 2002. He is Chief Executive of Caledonia Investments plc and a Director of The Sage Group plc. He was formally Chief Executive of First National Finance Corporation, a main Board Director of Abbey National plc and a Director of Hogg Robinson plc.

Derek McClain

Non-Executive Director

Aged 47, was appointed to the Board as a Non-Executive Director on 28 August 2002. He is Chief Financial Officer of Trammell Crow Company and serves on the Trammell Crow Company Executive Committee. He is based in the US.

Robert McKellar

Finance Director

Aged 43, was appointed to the Board on 1 June 2000 having served as Finance Director of FPDSavills Commercial Limited since December 1994.

Charles McVeigh

Non-Executive Director ■●◆

Aged 60, Chairman of the Audit Committee, was appointed to the Board as a Non-Executive Director on 1 August 2000. He is currently Co-Chairman of Schroder Salomon Smith Barney Europe and his directorships include Witan Investment Company plc, Clearstream International and EFG-Hermes. He has formerly served on the Boards of the London Stock Exchange and LIFFE and was appointed by the Bank of England to serve on the City Capital Markets Committee and the Legal Risk Review Committee.

Rupert Sebag-Montefiore

Director

Aged 49, joined Savills in 1980, became Head of FPDSavills' Western Region in 1991 and he was appointed to the Board on 31 May 1995. In May 2000 he became Managing Director of FPDSavills Limited, Savills' general practice surveying subsidiary and in January 2001 was appointed to the Board of Fastcrop plc (the holding company of Primelocation.com), an Internet property aggregator site in which FPDSavills Limited has taken a strategic investment. He is a Governor of Bournemouth University.

Fields Wicker-Miurin

Non-Executive Director ■●◆

Aged 44, was appointed to the Board on 27 June 2002. She is a Director of United Business Media plc and a member of the Nasdaq Technology Advisory Council in New York. Former appointments have included being Managing Director of Vesta Capital Advisors and Chief Financial Officer and Director of Strategy at the London Stock Exchange.

David Wong

Director

Aged 52, was appointed to the Board on 7 April 2000. He is Chief Executive Officer of FPDSavills Asia Pacific Limited. He is based in Hong Kong.

■ Audit Committee

● Remuneration Committee

◆ Appointments Committee

Report of the Directors

Principal Activity

Savills plc is a holding company. Its principal subsidiaries' activities are advising on matters affecting commercial, agricultural, residential and leisure property, providing corporate finance advice, property and venture capital funding, and a range of property related financial services.

Dividends

The profit attributable to shareholders is £8.5m (2001 - £13.6m). An interim dividend of 3.4p (net) per share amounting to £1.9m was paid. It is recommended that a final dividend of 6.8p (net) per share, amounting to £3.9m (2001 - £3.7m), should be paid, leaving a retained profit for the year of £2.7m (2001 - £8.1m).

Principal Developments

The development of the businesses is detailed in the Group Chief Executive's Review of Operations and the Finance Director's Financial Review on pages 4 to 11.

Directors

The names and short biographical details of the current Directors are shown on pages 12 and 13. The Directors during the year are summarised in the following table:

	Appointed	Resigned
Richard Jewson		
Aubrey Adams		
E Stevenson Belcher		28 August 2002
William Concannon		
David Craig		30 June 2002
Jeremy Helsby		
Simon Hope		
Timothy Ingram	27 June 2002	
Derek McClain	28 August 2002	
Robert McKellar		
Charles McVeigh		
Rupert Sebag-Montefiore		
Fields Wicker-Miurin	27 June 2002	
David Wong		

In accordance with the Company's Articles of Association, having been appointed since the last Annual General Meeting, Timothy Ingram, Fields Wicker-Miurin and Derek McClain will retire at this year's Annual General Meeting and, being eligible, offer themselves for re-election. The Directors retiring by rotation at this year's Annual General Meeting are Aubrey Adams, William Concannon, Robert McKellar and David Wong and, being eligible, they will offer themselves for re-election.

Interests in the issued share capital of the Company held at the beginning and end of the year under review by those who were Directors at 31 December 2002 or their families are set out in Note 6(d) to the Accounts on page 36. Details of Directors' share options are given in the Remuneration Report on pages 18 to 24.

Substantial Shareholdings

As at 3 March 2003, the Company was aware of the following material interests, representing 3% or more of the issued ordinary share capital of the Company:

Shareholders	Number of shares	%
Trammell Crow Company	6,250,000	10.00
The Savills plc 1992 Employee Benefit Trust	5,707,785	9.08
The Prudential Assurance Company Limited	2,593,221	4.12
Zurich Financial Services	2,540,953	4.03
Jupiter Split Trust plc	2,500,000	3.97
Legal & General Investment Management Limited	1,967,758	3.12
Invesco English and International Trust plc	1,919,199	3.05

Fixed Assets

There is no significant difference between the book and market value of fixed asset properties.

Purchase of Own Shares

Details of the shares held by The Savills plc 1992 Employee Benefit Trust (the EBT) and the Qualifying Employee Share Trust (QUEST) are given in Note 14(b) to the Accounts on page 44.

In accordance with the Listing Rules and at the AGM on 30 April 2002 the shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 5% of the issued share captial. As announced on the 30 December 2002, the Company undertook an irrecovable, non-discretionary programme to re-purchase its own shares during the close period. As at 4 March 2003 the Company had purchased 350,000 shares for cancellation under this programme.

Annual General Meeting

The Notice convening the Annual General Meeting, to be held at 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ at 12 noon on 7 May 2003, is contained in a circular sent to shareholders with this Report.

Creditors Payment Policy

The Group does not follow any specified code or standard on payment practice. However, the Group aims to settle supplier accounts in accordance with the individual terms of business agreed with each supplier. There were 14 days' purchases outstanding at the end of the year for the Company (2001 - 63 days).

Charitable Donations and Political Contributions

The amount paid to charitable organisations during the year was £62,370 (2001 - £54,750). In addition, during the year under review, the Group introduced a scheme whereby employees may elect to waive an element of annual bonus to registered charities of their choice. Where such elections have been made by employees the Group augments the donation to the chosen charity by 10% of the employee contribution and these additional Group contributions totalled £9,042 during the year. There were no political contributions.

Corporate Social Responsibility

The Board recognises the importance of social, environmental and ethical matters in the conduct of the Company's business. The Savills Group is committed to environmental awareness and improvement throughout its operations and, although the impact of our activities on the environment is low compared with other industries, it is our policy to strive to improve the environment for employees and others wherever we operate. The Group's environmental policy is approved by the Board and the Group Chief Executive is responsible for all environmental matters. The Group's policy is to aim towards reduced energy consumption, reduction in waste and promotion of recycling within our offices and to promote practices to enhance the environment when advising clients, including the avoidance of pollution wherever possible.

Employees

The Directors recognise that the quality, commitment and motivation for Savills' staff is a key element in the success of the Group. Employees are able to share in this success through bonus schemes and share options. The Group encourages its employees to develop their skills through training and continued professional development.

It is the policy of the Group to provide employment to disabled persons whenever the demands of the Group's operations and the abilities of the individuals allow. Applications for employment from disabled people are considered carefully and, where existing employees become disabled, every effort is made to find or create suitable positions for them.

Corporate Governance

A summary of the Company's application of the principles contained in "The Combined Code - Principles of Good Governance and Code of Best Practice" and compliance with the detailed provisions is set out below.

Board of Directors

The Board is responsible for the management of the Company and meets regularly. The Directors receive management information, including financial, subsidiary and strategic reports, in advance of the Board meetings. During the year the Board held twelve regular Board meetings and four additional meetings. The Board has adopted a formal schedule of matters specifically reserved to it for decision and there is an approved procedure for Directors to take independent professional advice at the Group's expense, if necessary. In addition, all the Directors have access to the advice and services of the Company Secretary.

At the date of this report the Board comprises a Non-Executive Chairman, five other Non-Executive Directors and six Executive Directors. The posts of Chairman and Group Chief Executive are separated. The biographies of the current Board members appear on pages 12 and 13.

The Board considers that there is an appropriate balance between Executive and Non-Executive Directors and that no individual or small group of individuals dominates the Board's decision taking. The Non-Executive Directors have a wide range of business experience and expertise and provide a strong independent element on the Board. However, as two of the Non-Executive Directors are representatives of Trammel Crow Company, a major shareholder, only Richard Jewson (Chairman), Fields Wicker-Miurin, Timothy Ingram and Charles McVeigh may be considered truly independent for the purposes of the Code. The Board has not formally nominated a senior independent Non-Executive Director, other than the Chairman, to whom concerns can be addressed having concluded that any such concerns can be addressed effectively to any or all of the Non-Executives, as appropriate.

Appointments as Executive Director are approved by the full Board taking account of nominations from the Appointments Committee as appropriate. New Directors receive appropriate briefing on their role and responsibilities and on Board procedures; on appointment they are encouraged to attend external courses as necessary. Appointments of Non-Executive Directors are made by the full Board and are generally for fixed terms. The Company's Articles of Association provide that Directors must submit themselves for re-election every three years, and that newly appointed Directors must submit themselves for re-election at the first Annual General Meeting after their appointment.

Board Committees

The Board has delegated certain authorities to committees each with formal terms of reference. The members of each committee are indicated on pages 12 and 13. The principal committees of the Board are as follows:

Audit Committee

The Committee consists of five of the Non-Executive Directors, the majority of whom are independent. The Committee is chaired by Charles McVeigh and meets at least three times a year to consider the scope and results of the annual audit and interim review, the requirement for internal audit and to assess the auditors. The Group Chief Executive and Finance Director attend meetings of the Committee, but are not members.

Remuneration Committee

The Committee consists of the four independent Non-Executive Directors. The Committee is chaired by Richard Jewson and meets at least twice a year to determine Company policy on senior executive remuneration and to agree the detailed remuneration packages of the Executive Directors. The Group Chief Executive is consulted on the remuneration of the other directors and senior executives and attends all remuneration discussions, except when his own position is being discussed.

Appointments Committee

The Committee consists of four of the Non-Executive Directors, all of whom are independent. The Committee is chaired by Richard Jewson and meets as required to nominate candidates for the approval of the Board to fill vacancies or new positions on the Board of Directors and to make recommendations to the Board on its composition and balance.

Directors' Remuneration

The Remuneration Report is set out on pages 18 to 24. The Remuneration Report will be put to shareholders at the Annual General Meeting (AGM) in 2003.

Relations with Shareholders

Meetings are held with major institutional shareholders regularly and include presentations at the time of the Company's preliminary announcement of annual results and half year report. All shareholders are sent a copy of the full Annual Report and Accounts and the interim statement. Information about the Company is available on the website at www.fpdsavills.com.

The Directors welcome and encourage the participation of private shareholders at the AGM. In accordance with the Code, the Chairman declared the level and manner of voting of proxies lodged on each resolution at the AGM held during the year. The Chairmen of the Board's principal committees were present at the 2002 AGM to answer shareholders' questions as required. The Directors aim to give as much notice of the AGM as possible which will be at least 21 days, as required by the Company's Articles of Association. In practice, this Report and Notice of AGM are being sent to shareholders more than 20 working days before the AGM.

The Notice of Annual General Meeting of Shareholders and explanatory notes is sent to shareholders with this report.

Financial Reporting

The Directors' Responsibilities' Statement in relation to the Accounts appears on page 25 and the Auditors have set out their reporting responsibilities including corporate governance matters as part of their report on page 26.

Going Concern

After making enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Internal Control and Risk Management

The Group has adopted a formal system of internal controls which accords with the guidance provided in the Turnbull Report to safeguard the shareholders' investment and the Company's assets. The Board is responsible for the Group's system of internal control and risk management and for reviewing the effectiveness of the system. The system is designed to provide reasonable assurance with regard to the safeguarding of assets against unauthorised use or disposition and the maintenance of financial information used within the business or for publication. However, such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Executive Sub-Committee (ESC) and the Board have conducted their annual reviews of the effectiveness of the system of internal control covering financial, operational and compliance controls and risk management. Throughout the year the Group has operated a management system that includes regular evaluation of the nature and extent of the risks to which the Group is exposed and the implementation of controls to manage its exposures. The system is supported by a formal programme of reporting and review throughout the Group.

The Audit Committee has reviewed the need for an internal audit function.

Key elements of the system of internal control are:

- The ESC has been delegated responsibility for regularly assessing and reviewing risks and controls and for undertaking the specific annual assessment of the system's effectiveness for consideration by the Board. The ESC meets before each Board meeting and consists of the Group Chief Executive, the Finance Director, the Chairman of FPDSavills Commercial Limited and the Managing Director of FPDSavills Limited.

- Selected Executive Directors also sit on the operating subsidiary and associate boards, including those of the overseas operations. These boards and their associated committees also meet regularly and have formal reporting structures.

- Directors of operating companies are closely involved in the day to day business of their respective operations, thus facilitating the prompt identification of business risks and appropriate action. Systems are in place to monitor and control both financial and operational risks, where appropriate. The Board and the boards of the main operating subsidiaries regularly monitor changes in the business environment and competition facing the main areas of the business.

- There is a comprehensive system for planning and reporting the performance of each business unit. The Board meets regularly and reviews the Group's overall results against plan and the previous year; forecasts are regularly updated.

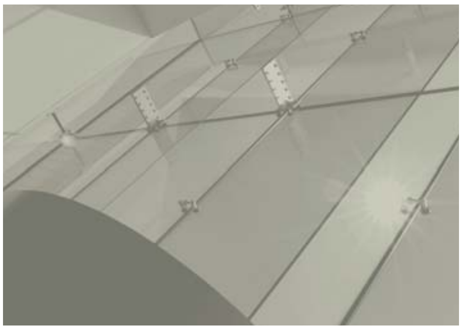
- Clear responsibilities are given to operational and financial managers for the maintenance of effective financial controls and the production of accurate and timely financial management information.

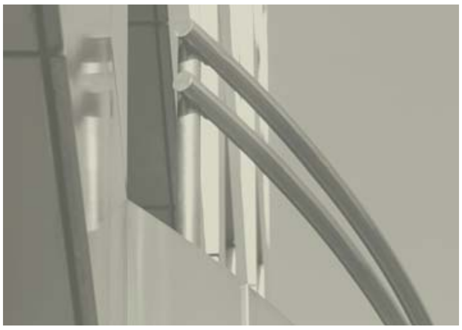
Compliance

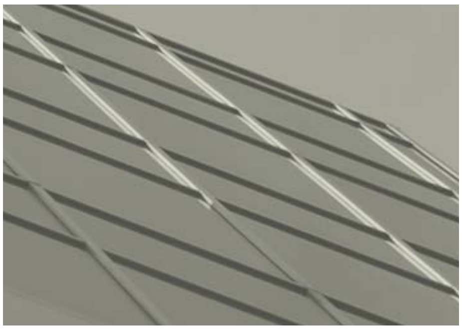
The Directors believe that the Group has complied throughout the year with the provisions of Section 1 of the Code, except for the appointment of a senior non-executive director.

Auditors

Following the conversion of PricewaterhouseCoopers to a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and PricewaterhouseCoopers LLP were appointed as auditors on 28 January 2003. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as Auditors of the Company is to be proposed at the forthcoming AGM. PricewaterhouseCoopers LLP also provides certain non-audit services to the Company, principally advice on taxation, but the Audit Committee is satisfied that such work is best undertaken by PricewaterhouseCoopers LLP and its objectivity is not impaired by reason of this further work.







Remuneration Policy

The Remuneration Committee, the role and composition of which are detailed on page 16, determines the emoluments of the Executive Directors. The fees of the Non-Executive Directors are determined by the full Board within the limits set in the Company's Articles of Association. The Non-Executive Directors do not receive any share options, bonuses or pension entitlement.

It is essential for the Group to provide remuneration packages which attract, retain and motivate Directors and staff of the highest quality and benefit packages awarded to Directors are structured to provide a competitive mix of performance and non-performance related remuneration.

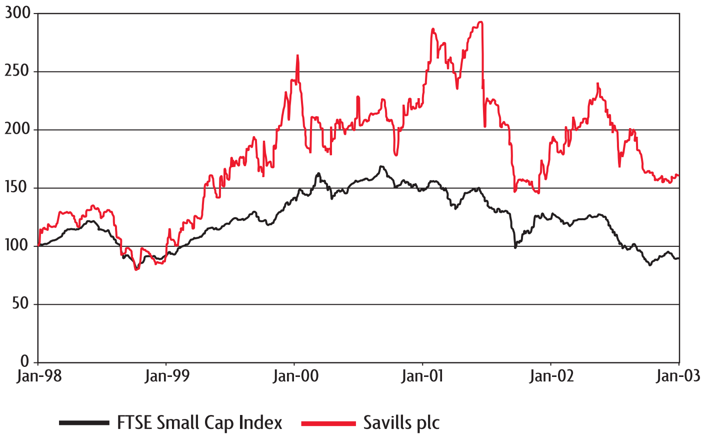
All the Executive Directors, except the Group Chief Executive, Aubrey Adams, and the Finance Director, Robert McKellar, are employed by one of the operating subsidiaries. The directors of each subsidiary set the basic salaries and bonus payments of all their staff, having regard to the subsidiary's performance and the remuneration packages paid by its competitors. On this basis, they make recommendations to the Savills plc Remuneration Committee with regard to those of their staff who are Executive Directors. The Board approves the remuneration packages for each of the Executive Directors after receiving and considering the recommendation from the Remuneration Committee. The Board accepted the recommendations of the Remuneration Committee on executive Directors' remuneration for the financial year ended 31 December 2002.

Senior executives and Executive Directors may participate in the Savills Deferred Share Bonus Plan, The Savills Executive Share Option Scheme (2001) and the Savills Sharesave Scheme, details of each of which are given on page 21. Senior Executives and Executive Directors were also eligible for participation in the Savills plc 1992 Executive Share Option Scheme (the ESOP), and the Savills plc United Kingdom Executive Share Option Scheme which have now expired for the purposes of new grants. Details of remuneration packages and awards made to Executive Directors under each of these schemes are given on pages 19 to 23.

During the year the Remuneration Committee appointed Ernst & Young to review its approach to the remuneration of Executive Directors and other senior executives with the aims of effectively supporting a performance culture and continuing to motivate, attract and retain executives of the appropriate calibre within a framework that is cost-effective and justifiable to shareholders. Ernst & Young also provide tax advice to some subsidiaries.

Over the last five years, the Company has outperformed the FTSE Small Cap Index to give a Total Shareholder Return of 61% compared with a return of negative 10% provided by the FTSE Small Cap Index.

Below is a graph showing Total Shareholder Return for Savills plc against FTSE Small Cap Index over five years:



The Directors believe that the FTSE Small Cap Index is the most appropriate index against which to compare total shareholder return as it is an index of companies of similar size to Savills plc.

Salary and Annual Bonus

Savills' business philosophy is founded on the premise that employees should be motivated through highly incentive-based remuneration packages and, as part of this policy, basic salaries and benefits are strictly controlled. Salaries are reviewed annually (although not necessarily increased). Each operating subsidiary has a discretionary bonus scheme directly related to the profit of that subsidiary after charging all costs, including central overheads and finance charges; during the year in the UK the amounts available for distribution within these bonus pools were calculated in bands between 27% of profit through to 58% for excellent performance based on the achievement of pre-determined thresholds. These bands are reviewed regularly. Awards to individuals are assessed by reference to fee earning achievements, profitability of the individual's area of responsibility, contribution to business development and managerial responsibilities.

The Group Chief Executive's and the Finance Director's salary and bonus are determined by the Remuneration Committee, having regard to the Group's performance and the remuneration packages of the other Executive Directors.

The remuneration packages for each of the Directors is shown below and on page 20. The bonus entitlements shown are subject to the above performance criteria.

Benefits

Executive Directors and senior staff are provided with a company car (or salary allowance) and they and their immediate families are members of the Savills Group's medical or hospital insurance schemes.

Pension

The Inland Revenue approved Pension and Life Assurance Plan of Savills (the Plan) provides life assurance benefits to all relevant staff including the Chairman and the UK based Executive Directors. Three Executive Directors participated in the Plan for pension benefits during the year. The Plan is a contributory defined benefit scheme which provides a pension based on final basic salary and length of service. In addition to the Company's contribution, members contributed 5% of salary during the year ended 31 December 2002. Only basic salary is pensionable. The normal retirement age is 60. The Plan is closed to new entrants for pension benefits, but continues to operate for existing members. The Company is currently renewing the provision of pension benefits.

In addition to the Plan, the Company also operated a defined contribution individual pension plan for two Executive Directors during the year.

Analysis of Directors' remuneration

	Salary/fees		Bonus				Benefits		Total excl. pension	
	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002 Cash	Year to 31 December 2002 Deferred**	Year to 31 December 2001 Cash	Year to 31 December 2001 Deferred**	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001
Executive Directors	£	£	£	£	£	£	£	£	£	£
Aubrey Adams*	119,000	117,533	260,000	-	410,000	-	900	871	379,900	528,405
Jeremy Helsby*	101,000	101,000	125,050	31,250	98,500	74,500	900	871	258,200	274,871
Simon Hope	85,000	85,000	735,000	18,750	650,000	46,500	9,953	9,665	848,703	791,165
Robert McKellar*	94,000	94,000	180,000	25,000	175,000	46,500	361	349	299,361	315,848
Rupert Sebag-Montefiore*	101,098	101,606	250,000	31,250	241,000	74,500	900	871	383,248	417,977
David Wong*	205,072	254,133	180,000	-	315,000	-	74,731	83,348	459,803	652,481

* The Company has made contributions to defined contribution pension plans in respect of the above Directors, as detailed on page 20.

** For details of the Deferred Share Bonus Plan please refer to page 21.

Aubrey Adams and Jeremy Helsby waived their entitlement to £20,000 and £4,950 bonus payments respectively in favour of contributions to registered charities by their employing companies.

Analysis of Directors' remuneration (continued)

	Salary/fees		Bonus		Benefits		Total excl. pension	
	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001
Non-Executive Directors	£	£	£	£	£	£	£	£
E. Stevenson Belcher (resigned 28 August 2002)	15,000	18,750	-	-	-	-	15,000	18,750
William Concannon	22,500	22,500	-	-	-	-	22,500	22,500
David Craig (resigned 30 June 2002)	12,500	25,000	-	-	-	-	12,500	25,000
Timothy Ingram (appointed 27 June 2002)	12,500	-	-	-	-	-	12,500	-
Richard Jewson	75,000	75,000	-	-	-	-	75,000	75,000
Derek McClain (appointed 28 August 2002)	7,756	-	-	-	-	-	7,756	-
Charles McVeigh	25,000	25,000	-	-	-	-	25,000	25,000
Fields Wicker-Miurin (appointed 27 June 2002)	12,604	-	-	-	-	-	12,604	-

Analysis of Director's pension entitlement - defined contribution schemes
The Company made contributions to the following Directors' defined contribution pension plans

Executive Directors	Group contribution during year to 31 December 2002 £	Group contribution during year to 31 December 2001 £
Aubrey Adams	80,000	-
Jeremy Helsby	450,000	260,000
Robert McKellar	65,100	3,825
Rupert Sebag-Montefiore	346,000	241,000
David Wong	10,254	12,707

Analysis of Directors' pension entitlements - defined benefit scheme

	Increase in accrued pension during the year in excess of inflation [1]		Transfer value of the increase less Director's contributions [1,3]		Accumulated total accrued pension at the end of the year [2]		Total increase in accrued pension during the year [2]		Transfer value of total pension at start and end of the year [1,3]		(Decrease)/Increase in transfer value over the year, less Director's contributions
	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 31 December 2001	Year to 31 December 2002	Year to 1 January 2002	Year to 31 December 2002
Executive Directors	£	£	£	£	£	£	£	£	£	£	£
Jeremy Helsby	1,032	2,952	2,641	23,691	31,050	29,517	1,533	3,663	230,876	293,177	(66,901)
Simon Hope	1,218	1,134	1,352	3,057	13,104	11,688	1,416	1,417	68,832	83,064	(18,482)
Rupert Sebag-Montefiore	1,019	2,990	3,084	26,161	31,817	30,283	1,534	3,720	248,102	314,907	(71,405)

Notes

1 The table shows the increase in accrued pension during the year, excluding any increase for inflation. The transfer value of this increase in pension is also shown, less the contributions made by the Director during the year.

2 The accumulated accrued pension entitlement shown is that which would be paid annually on retirement based on service to the year-end. The actual increase in pension over the year is also shown including any increase for inflation.

3 The transfer value represents the amount payable by the pension plan should the Director transfer his pension rights to another provider. All transfer values quoted are calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note 11. However, the Savills plan is underfunded on a statutory minimum basis and therefore any transfer values paid would be reduced to reflect the underfunded percentage.

Directors' Deferred Share Bonuses

The Savills Deferred Share Bonus Plan (the DSBP)

The Company operates a non-pensionable annual bonus scheme for Directors and senior executives a part of which, at the discretion of the Remuneration Committee, may be awarded in the form of deferred conditional rights to ordinary shares in the Company under the DSBP. Annual bonuses are subject to the attainment of challenging performance targets which are specific to each individual and either relate to Group thresholds, subsidiary company targets or a combination of both for a period not exceeding the relevant financial year of the Company. Awards of conditional shares under the DSBP will normally vest on the fifth anniversary of the award date but rights are subject to forfeiture if the executive leaves the service of the Group within the five year period. The shares to satisfy awards under the DSBP will be acquired via an existing employee benefit trust by purchase in the market. Neither the DSBP nor the trust contain powers to subscribe new equity. The first awards under the DSBP were made in March 2002. At the Annual General Meeting to be held on 7 May 2003, shareholders will be asked to approve that the limit on the number of shares which may be acquired by The Savills plc 1992 Employee Benefit Trust be increased from 10% to 15% of the ordinary share capital of the Company.

Directors' Share Options

Options currently subsist under three share option schemes. Executive share schemes are subject to performance conditions where they have been adopted since guidelines highlighted the advantages of such conditions in aligning Directors interests with those of shareholders. Details of all Group Share Option Schemes are shown below.

Savills plc United Kingdom Executive Share Option Scheme (the Executive Share Option Scheme)

This Inland Revenue approved Scheme expired in 1997 and no further grants are permitted. Outstanding options remain and participants are normally entitled to exercise the options between three and ten years after the date of grant. At 31 December 2002 none of the Executive Directors had options under this Scheme which remain exercisable.

Savills plc 1992 Executive Share Option Scheme (the ESOP)

The ESOP expired on 23 May 2001 and no further grants will be made under this scheme but existing rights remain fully protected. Under the ESOP, senior executives were granted options to purchase shares, exercisable in normal circumstances between five and seven years after grant. The ESOP is operated in conjunction with The Savills plc 1992 Employee Benefit Trust (the EBT). Grants were made by the Trustee of the EBT on the recommendation of the Board on a phased basis, having regard to individuals' performances and anticipated contributions to the Group. Recommendations in respect of grants to Executive Directors were made by the Remuneration Committee.

The Savills Sharesave Scheme (the Sharesave Scheme)

Executive Directors are eligible to participate in the Sharesave Scheme, which is an Inland Revenue approved scheme open to all employees of nominated participating companies who have a minimum of three months' service at the date of invitation. The Sharesave Scheme was adopted by shareholders in 1998. The Sharesave Scheme is linked to a monthly savings contract over three, five or seven years and options are granted at a maximum 20% discount to market price. At the AGM held on 30 April 2001 it was resolved that, going forward, savings contracts of only three and five years would be made available.

The Savills Executive Share Option Scheme (2001 Scheme)

The 2001 Scheme combines an Inland Revenue approved scheme with an unapproved schedule and was authorised by shareholders and adopted on 30 April 2001. The first grant of options under the 2001 Scheme was made on 26 September 2001. Participants are, in normal circumstances, entitled to exercise options between three and ten years after the date of grant at a subscription price equal to the market value at the time of grant. Grants are made on a phased basis and the exercise of options is subject to the achievement of a performance target whereby the Company's earnings per share must increase over a consecutive period of three financial years by an average of at least 3% above the Retail Price Index (RPI) per annum. Recommendations in respect of grants to Executive Directors are made by the Remuneration Committee.



Savills plc 1992 Executive Share Option Scheme (ESOP)

Directors	Number of shares			Exercise price per share	Market value at date of exercise	Date from which exercisable	Expiry date
	At 31.12.01	Exercised during year	At 31.12.02				
Jeremy Helsby	40,000	-	40,000	Nil		25.07.01	25.07.03
	10,000	-	10,000	Nil		10.07.03	10.07.05
	30,000	-	30,000	Nil		20.07.04	20.07.06
	40,000	-	40,000	Nil		20.07.05	20.07.07
	50,000	-	50,000	Nil		06.04.06	06.04.08
Simon Hope	40,000	40,000	-	Nil	185p	25.07.01	25.07.03
	10,000	-	10,000	Nil		14.01.03	14.01.05
	10,000	-	10,000	Nil		10.07.03	10.07.05
	30,000	-	30,000	Nil		20.07.04	20.07.06
	40,000	-	40,000	Nil		20.07.05	20.07.07
	40,000	-	40,000	Nil		06.04.06	06.04.08
Robert McKellar	10,000	-	10,000	Nil		14.01.03	14.01.05
	10,000	-	10,000	Nil		10.07.03	10.07.05
	25,000	-	25,000	Nil		20.07.04	20.07.06
	30,000	-	30,000	Nil		20.07.05	20.07.07
	30,000	-	30,000	Nil		06.04.06	06.04.08
Rupert Sebag-Montefiore	20,000	20,000	-	Nil	137.5p	25.07.01	25.07.03
	20,000	-	20,000	Nil		14.01.03	14.01.05
	20,000	-	20,000	Nil		10.07.03	10.07.05
	15,000	-	15,000	Nil		20.07.04	20.07.06
	20,000	-	20,000	Nil		20.07.05	20.07.07
	30,000	-	30,000	Nil		06.04.06	06.04.08
David Wong	25,000	-	25,000	Nil		20.07.05	20.07.07
	30,000	-	30,000	Nil		06.04.06	06.04.08

The Savills Sharesave Scheme

Directors	Number of shares			Market price on date of exercise	Exercise price per share	Exercisable within 6 months from
	At 31.12.01	Exercised during year	At 31.12.02			
Aubrey Adams	20,535	-	20,535		84p	01.12.03
Jeremy Helsby	5,381	5,381	-	142.5p	144p	01.10.02
	1,174	-	1,174		165p	01.10.03
Simon Hope	5,871	-	5,871		165p	01.10.03
Rupert Sebag-Montefiore	8,214	-	8,214		84p	01.12.03
	4,687	-	4,687		144p	01.10.04

The Savills Executive Share Option Scheme (2001)

Directors	Number of shares				Exercise price per share	Date normally first exercisable	Expiry date
	At 31.12.01	Granted during year	Approved / unapproved	At 31.12.02			
Aubrey Adams	20,761	-	Approved	20,761	144.5p	26.09.04	26.09.11
	59,239	-	Unapproved	59,239	144.5p	26.09.04	26.09.11
	-	80,000	Unapproved	80,000	194.5p	10.04.05	10.04.12
Jeremy Helsby	20,761	-	Approved	20,761	144.5p	26.09.04	26.09.11
	44,239	-	Unapproved	44,239	144.5p	26.09.04	26.09.11
	-	65,000	Unapproved	65,000	194.5p	10.04.05	10.04.12
Simon Hope	20,761	-	Approved	20,761	144.5p	26.09.04	26.09.11
	29,236	-	Unapproved	29,236	144.5p	26.09.04	26.09.11
	-	50,000	Unapproved	50,000	194.5p	10.04.05	10.04.12
Robert McKellar	20,761	-	Approved	20,761	144.5p	26.09.04	26.09.11
	4,239	-	Unapproved	4,239	144.5p	26.09.04	26.09.11
	-	25,000	Unapproved	25,000	194.5p	10.04.05	10.04.12
Rupert Sebag-Montefiore	20,761	-	Approved	20,761	144.5p	26.09.04	26.09.11
	44,239	-	Unapproved	44,239	144.5p	26.09.04	26.09.11
	-	65,000	Unapproved	65,000	194.5p	10.04.05	10.04.12
David Wong	25,000	-	Unapproved	25,000	144.5p	26.09.04	26.09.11
	-	25,000	Unapproved	25,000	194.5p	10.04.05	10.04.12

The Savills Deferred Share Bonus Plan (DSBP)

Directors	Number of shares			Exercise price per share	Vesting date
	At 31.12.01	Awarded during year	At 31.12.02		
Jeremy Helsby	-	39,733	39,733	187.5p	22.03.07
Simon Hope	-	24,800	24,800	187.5p	22.03.07
Robert McKellar	-	24,800	24,800	187.5p	22.03.07
Rupert Sebag-Montefiore	-	39,733	39,733	187.5p	22.03.07

The ESOP expired on 23 May 2001 and no grants were made under this or the Sharesave scheme during the year. No Directors' share options under the Executive Share Option Scheme (2001) were exercised and no awards under the DSBP vested during the year. No Directors' share option/awards under the ESOP, the Savills Sharesave, the Executive Share Option Scheme (2001) or DSBP lapsed. The mid market price of the shares at 31 December 2002 was 140.5p and the range during the year was 135p to 216p. At 31 December 2002, all Executive Directors were deemed to have on interest (for the purpose of the Companies Act 1985) in 1,785,785 shares held by the trustee of the EBT and in 571,981 shares held by the Qualifying Employee Share Trust (QUEST). For details of the EBT and QUEST, please refer to Note 1 of the Accounts.

External Directorships

The Executive Directors are allowed to accept external non-executive directorships, subject to approval by the Chairman and any conditions he might impose. For non-executive directorships which are considered to arise by virtue of an Executive Director's position within Savills, the fees are paid directly to Savills.

Directors Service Contracts

The Executive Directors are appointed for an initial period of three years, after which their appointment may be renewed. Each has a service contract with a notice period of one year or less. The Remuneration Committee accepts and endorses the principle of mitigation of damages on early termination of contracts.

The details of the service contracts of those who served as Directors during the year are:

	Date appointed to Board	End date of current letter of appointment	Notice period
Aubrey Adams	12 February 1990	31 December 2009	12 months
E Stephenson Belcher	1 March 2001	Director resigned on 28 August 2002	-
William Concannon	30 June 2000	See below *	N/A
David Craig	6 September 1995	Director resigned on 30 June 2002	-
Jeremy Helsby	1 May 1999	30 April 2005	6 months
Simon Hope	1 May 1999	30 April 2005	6 months
Timothy Ingram	27 June 2002	26 June 2005	Terminable at will
Richard Jewson	1 May 1994	29 February 2004	6 months
Derek McClain	28 August 2002	See below *	6 months
Robert McKellar	1 June 2000	31 May 2003	6 months
Charles McVeigh	1 August 2000	31 July 2003	6 months
Rupert Sebag-Montefiore	31 May 1995	See below * *	6 months
Fields Wicker-Miurin	27 June 2002	26 June 2005	Terminable at will
David Wong	7 April 2000	6 April 2003	6 months

* Appointed by Trammell Crow Company pursuant to the strategic alliance which provides for Board representation for Trammell Crow Company linked to its shareholding in the Company.

** Appointment linked to appointment as Managing Director of FPDSavills Limited.

The Company has no financial obligation to Directors in the event of early termination of an Executive Directors contract other than payment in lieu of notice.

Registered office
20 Grosvenor Hill
Berkeley Square
London
W1K 3HQ

By order of the Board

T.L. Cutler
Company Secretary
4 March 2003

Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' Report regarding the respective responsibilities of Directors and Auditors set out on page 26, is made with a view to distinguishing for shareholders those respective responsibilities in relation to the Accounts.

Company law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that year. The Directors consider in preparing the Accounts they have:

- selected appropriate accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts; and
- prepared the Accounts on the going concern basis as it is appropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors to the Members of Savills plc

Independent auditors' report to the members of Savills plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses the reconciliation of movement shareholder's funds and the related notes, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the Notes to the Accounts. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities on page 25.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Group Chief Executives' Review of Operations, the Financial Review and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2002 and of the profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

4 March 2003