ANNUAL REPORT & ACCOUNTS 2003

Savills plc

CONTENTS

FINANCIAL SUMMARY

- Pre-tax profit of £35.3m.
- Turnover up 7% to £301.7m.
- Group operating profit up 25% to £36.5m.
- Group operating profit margins, excluding sale of trading properties were 11.7%.
- Adjusted basic earnings per share excluding sale of trading properties, impairment and amortisation of goodwill 39.8p. Basic earnings per share 39.2p.
- Final dividend up 47% to 10.0p per share making a total for the year to 31 December 2003 of 13.6p.

Financial Calendar

Results announced:	**2 March 2004**
Ordinary shares ex-dividend:	**7 April 2004**
Annual General Meeting:	**5 May 2004**
Proposed final ordinary dividend payment date for shareholders on the Register at 13 April 2004:	**12 May 2004**

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"THIS HAS BEEN A
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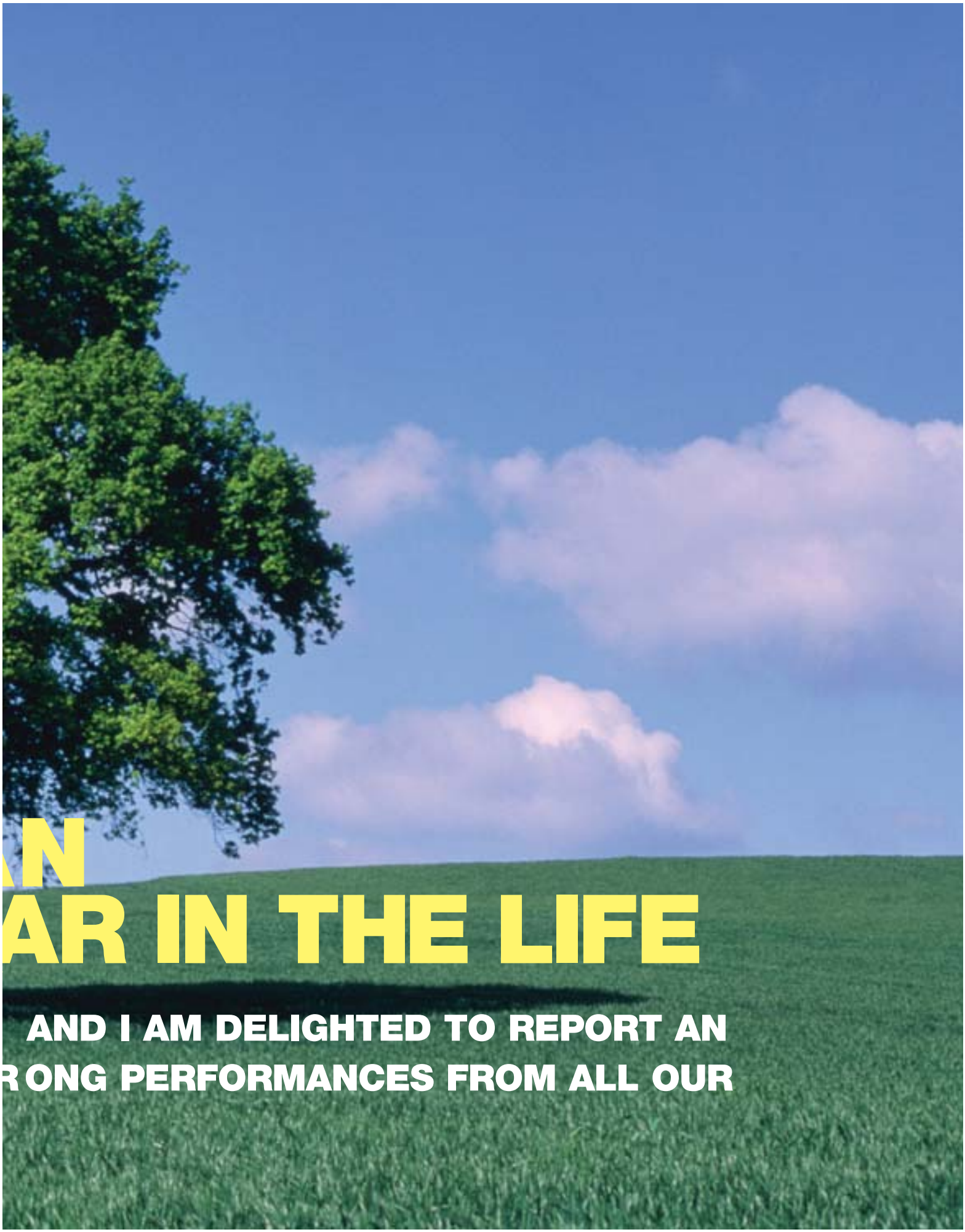
EXCELLENT SET OF RESULTS FOLLOWING STR
OPERATING BUSINESSES."
RICHARD JEWSON, CHAIRMAN, SAVILLS PLC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CHAIRMAN'S

Results

This has been an outstanding year in the life of the Company and I am delighted to report an excellent set of results following strong performances from all our operating businesses. This was achieved despite a difficult start to the year, plagued by the war in Iraq, which affected international financial markets.

While profits in the second half have historically exceeded the first half, this was exceptionally pronounced this year, with year end pre-tax profit of £35.3m (2002 - £20.4m) exceeding original expectations. 2003 turnover increased by 7% to £301.7m (2002 - £282.3m). Group operating profit was £36.5m (2002 - £29.2m). Group operating profit margins, excluding sale of trading properties were 11.7% (2002 - 10.4%). This is testament to the work and commitment of our dedicated staff.

A reduced effective tax rate of 35.2% (2002 - 49.6%), together with increased profit meant that basic earnings per share has increased substantially to 39.2p (2002 - 15.1p). Shareholders' funds increased to £97.1m (2002 - £88.5m) and cash balances to £71.9m (2002 - £53.4m).

Dividend

The Board is recommending a final dividend of 10.0p per share to those shareholders on the register on 13 April 2004, payable on 12 May 2004, making a total for the year of 13.6p (2002 - 10.2p). Whilst a step change in quantum the increase is in line with our progressive dividend policy, which remains unchanged and reflects long-term confidence in the business.

Highlights

In the UK we have continued to broaden the range of services we are able to offer our clients by opening a new office in Esher and a Financial Services office in Canary Wharf and by the targeted recruitment of new staff with particular expertise. Further office openings are planned in 2004. The investment markets have been particularly strong, and our agency teams have been active and successful. We are expanding our existing Fund Management capability with a view to increasing funds under management materially and expect to launch a number of products in 2004. We anticipate that the Government's commitment to Real Estate Investment Trusts will create opportunities for us as well as raising awareness of property as an important investment class.

Research, which we published during the year, illustrated the economic advantages of mixed-use development, which is so clearly attractive to policy makers. Savills, with our expertise in residential as well as commercial development, is uniquely qualified to give comprehensive advice to land owners and developers. This business will continue to grow with a newly formed Mixed-Use team.

We have strengthened our strategic alliance with Trammell Crow Company who have now increased their majority holding in Trammell Crow Savills (TCS), a real estate outsourcing services business including facilities management. We have written off our remaining investment. Real estate outsourcing services is Trammell Crow Company's core business and accordingly TCS is

RICHARD JEWSON

STATEMENT

being branded as "Trammell Crow Company". Through our alliance we are able to offer a full range of services in Europe to their USA clients, and vice versa.

In Europe we purchased the remaining 47% of FPDSavills Immobilien Beteiligungs-GmbH, increased our holding in our Dutch operation from 40% to 61% and continued to build the scale of our offices in financial centres throughout Europe. We remain committed to growth by recruitment.

In Asia and Australia we continue to make progress, and are particularly pleased that our Chinese offices are now profitable.

At the Annual General Meeting (AGM) held on 7 May 2003 shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 5% of the issued share capital. During the year ended 31 December 2003, 2,130,000 shares were repurchased for cancellation under this programme. As announced on 30 December 2003, the Company undertook an irrevocable, non-discretionary programme to re-purchase its own shares during the close period. During this period the Company bought 100,000 shares for cancellation. The Company may make further purchases of shares under this authority in the open period up to the AGM to be held on 5 May 2004.

Board and Staff

As announced at the time of our Trading Update in June 2003, David Wong, Chief Executive of FPDSavills Asia Pacific Limited, retired from the Company at the end of 2003 and accordingly resigned as a Director of Savills plc on 30 June 2003. I would like to thank him for his contribution to the Group.

Savills has a committed and talented staff whose ability to add value to our clients is the basis for the excellent results. Several key new appointments have been made, broadening and strengthening the range of the services that we offer to clients. Our reward system enables us to attract and retain outstanding people and has proved a real incentive, whilst providing shareholders with increased earnings and dividends.

Outlook

Confidence in investment markets remains strong, as does activity in the prime residential market in the UK. If economies throughout the world continue to recover as generally expected, we believe that the Company is well placed to take advantage of the opportunities that will emerge.

Richard Jewson, Chairman

“IT’S NOT JUST AB
PEOPLE ARE GIVE
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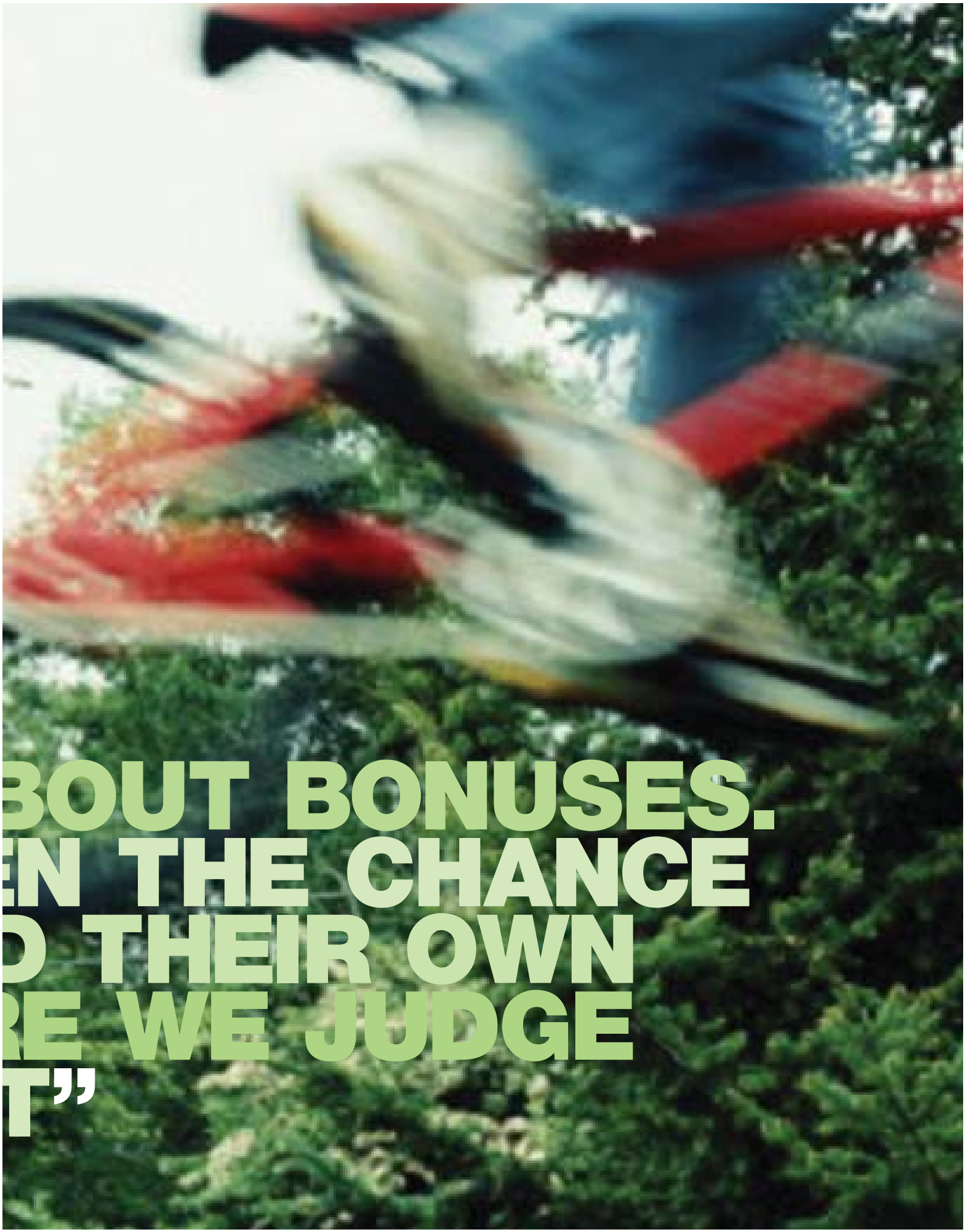
AUBREY ADAMS, GROUP CHIEF EXECUTIVE, SAVILLS PLC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GROUP CHIEF REVIEW OF

2003 ended on a high note with pre-tax profits of £35.3m ahead of expectations. This was an excellent result given the difficulties faced at the beginning of the year, when financial markets were unusually influenced by external events, in particular the war in Iraq and SARS. Residential markets struggled at the start of the year but performed exceptionally well with increased demand and activity towards the end of 2003. The commercial agency markets generally remained strong and, despite a slow start, increased investor confidence meant that the investment market in particular ended the year well.

The Savills European offices enjoyed another profitable year's trading. During the year we increased the holding in our Dutch operation from 40% to 61%, giving us a majority stake. We also strengthened our presence in Italy and Berlin and new strategic associations were established in Lisbon, Stockholm, Dublin and Belfast, so as to provide our clients with a seamless service in these European markets. In the UK we opened new offices in Esher and Canary Wharf and four other offices will be opened in the coming months.

On 22 January 2004 we announced the strengthening of the Strategic Alliance Agreement with our strategic partner in the US, Trammell Crow Company.

We remain committed to developing and expanding our business organically both in the UK and Internationally. This is achieved by recruiting new staff, investing in new areas of business and where appropriate opening new offices.

Transactional Advice

The Transactional Advice business stream comprises commercial, residential, agricultural agency and investment advice on purchases and sales. During the year turnover was £119.4m (2002 - £124.1m), representing 40% of our total turnover, generating profit before interest and tax of £18.0m (2002 - £20.0m).

Commercial Investment

The first quarter of 2003 was difficult with investor confidence affected by the then impending war with Iraq and volatile financial markets. During the summer, driven by improving financial prospects, trading conditions improved and property was strongly in demand from private individuals and Funds, both UK and foreign, all attracted by the relatively high secure yields offered by commercial property investments.

Notable European investment transactions during the year included: the purchase of the Bodio Centre in Milan on behalf of DEGI for €211m, the purchase of a major shopping centre in Essen in Germany for €115.5m on behalf of Credit Suisse Euroreal, the purchase of a very large retail and office centre in Antwerp, Belgium, again for Credit Suisse Euroreal, and the sale of 280, Castellana in Madrid on behalf of Lar Grosvenor for €75m.

Our London and Manchester Investment teams were involved with a number of other significant transactions including:

- the purchase of Heywood Distribution Park, Manchester on behalf of Moorfield Estates for £120m;
- the acquisition by Hammerson Plc of Drakehouse Retail Park, Sheffield at a price of £60m; and
- providing investment valuation advice on the acquisition of Nassica Retail and Leisure Park, Madrid for €120m for Pillar European Retail Warehouse Fund.

The West End Agency team achieved a creditable performance in difficult market conditions. Income was generated primarily in the occupier consultancy business where activity remained stable. Key transactions included advising CIT Group on the purchase from Mapeley of the 100,000 sq ft Abbey House, Baker Street for redevelopment.

AUBREY ADAMS

EXECUTIVE'S OPERATIONS

Other significant deals included:

- the sale and leaseback of the LDV headquarters at Drews Lane, Washwood Heath, Birmingham for AXA SunLife Plc c/o AXA Real Estate in partnership with LDV Limited. The site comprises 25.58 hectares (63.2 acres) of land and 125,401.4 sq m (1,349,854 sq ft) of buildings;
- the letting of 43,000 sq ft at 20 Soho Square, a new development by IVG Asticus Real Estate, the largest letting in Soho in 2003;
- the letting of 70,000 sq ft at Woolgate Exchange, 25 Basinghall Street, EC2 on behalf of the German Bank, West LB; and
- the letting of 90,000 sq ft at 1 St John's Lane, EC1 for Standard Life and Bee Bee Developments.

The transactional markets in Hong Kong were difficult in the first six months of the year but rebounded strongly. The effect of SARS and the war in Iraq affected the office rental market where marked decreases in demand were experienced and average vacancy rates peaked at 15%. In Shanghai transactional income increased by 45% and the Chinese business has begun to make a positive contribution.

Residential Agency

The residential market experienced a slow start to 2003 with concerns over the economy and job cuts in the City. In London prime property was especially badly affected, with sales turnover down as much as 50% at the start of the year. However, from the summer, there was a turnaround in the prime residential markets dominated by a lack of supply; although the prime London market saw price falls of about 2.5%, the country residential markets held up well with price increases in most parts. In total about 2,200 properties were sold during the year, equating to £1.8bn in value. Our average property sold for about £1.4m in London and £0.63m in the country. Highlights include the sale of Puttenham Priory with a price guide of £7m, and our Edinburgh office achieved a new record in the sale of a country house in Scotland.

Purchasing Advice

Prime Purchase, our independent subsidiary which acts for retained buyers of residential property in both central London and the country, has completed its second successful and profitable year. In 2003, a country office was established in Hampshire adding to its existing headquarters in Sloane Square. Of particular note was the work in relation to the acquisition, off market, of a multi-million pound penthouse in South Kensington and a 4,000 sq ft family house in Wimbledon village. In the country, highlights included the purchase of Chartknolle, a 245 acre residential farm in West Dorset together with a Georgian house of over 1,500 sq ft to the West of Cirencester which was acquired privately.

Residential Letting

2003 was another tough year for the Residential Lettings business. Prime central London was particularly affected as a result of the knock on effects from the downturn in the financial markets since 2001. There was also a greater than usual number of landlords selling, to cash in on capital growth, which in turn created lower rental yields. The Home Counties departments in Windsor, Bishops Stortford and Sevenoaks all experienced significant growth in their income.

Auctions

The Auctions department again had a good year selling 640 lots with a value totalling £140m at an average success rate of 87%. Residential and commercial properties were sold in Manchester, Liverpool, Birmingham and across the South East to Bristol and the West Country. Notable sales included a west London site by the A40 at £1.66m, an industrial investment in Middlesex at over £2.6m and a portfolio of 17 residential properties in Bristol selling for £2.5m.

GROUP CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONTINUED

New Homes

The New Homes division turned in a strong performance in 2003 having been involved in 3,200 residential unit sales with a 52% uplift in those derived from our provincial offices. Notable successes included the sale of 173 units at Glasgow Harbour for Cala City Limited, 92 units sold at The Arena, Nottingham for Crosby Homes and over 65 reservations at Westminster Green, London for Clementine Investments Limited. A feature of the market is bulk sales, sometimes discounted, to specialist investors.

International New Homes

Our International New Homes business has expanded quickly over the last twelve months by concentrating on new homes in sought after resort areas around the world. The team now comprises eleven individuals responsible for over 400 property sales in seven countries. Current high profile projects include:

- The Palm, Dubai - 1,800 units;
- Provence Country Club, France - 170 units;
- Arc 1950 Ski Village, French Alps - 750 units;
- Villa Nova, Barbados - 10 units;
- Casa Grande, Marbella, Spain - 57 units; and
- Carlyon Bay, Cornwall - 511 units.

Development

The Development department experienced another growth year with significant development achieved both in terms of transactional and consultancy instructions. Major development transactions included land sales for developers such as Crest, Countryside and Taylor Woodrow as well as disposals for various NHS trusts and the MOD. The Development Consultancy business has expanded significantly with further instructions from a number of the Regional Development Agencies, including SWERDA, WDA, Advantage West Midlands and SEEDA. The Development team advised on more than 30,000 acres of development land, 81% of transactions were on brownfield or urban sites.

In response to client demand a specialist Mixed-Use team has been formed so as to provide unified advice on large strategic sites where a number of specialisations are required.

Highlights last year included:

- representing the University of Oxford in successful negotiations to acquire the Radcliffe Infirmary site at a price of over £40m;
- property advisers on the Meridian Delta Ltd's 10m sq ft proposals to develop the land around the Millennium Dome; and
- advising CRL, the Pillar/Hammerson joint venture, on the potential for the further development of over 10m sq ft of mixed-use land including the land around Brent Cross Shopping Centre.

Our Telecoms team have steadily increased their share of the market and now have a strong relationship with four of the five operators. The electricity and gas sectors have provided steady business with further growth in 2004 expected. A new and potentially exciting area of business, comes from a joint venture with an international wind developer.

Farm and Estate Agency

Despite difficulties caused by uncertainty over the review of the Common Agricultural Policy, FPDSavills continued to sell and buy a number of high profile agricultural estates for clients including the sale of the largest sporting estate of the year, East Allenheads Grouse Moor, for an asking price of £10m.

Other highlights included:

- the sale of Hungerford Park (2,013 acres);
- the sale of the Wansdyke Estate in Berkshire (1,335 acres); and
- the purchase of Cokenach Estate in Hertfordshire (1,700 acres).

Retail and Leisure

The Retail Warehouse team continued to perform well benefiting from its national coverage in three offices, continued market penetration and enlarged client base. The department currently advises on many of the UK's leading retail parks including: Monks Cross, York; Birmingham Fort; Middlebrook, Bolton and Manchester Fort. This year saw our appointment by Boots Properties Plc to advise on their town expansion programme in the South and Midlands. We have established a Retail Warehouse department in Paris reflecting our strategy to expand into Europe.

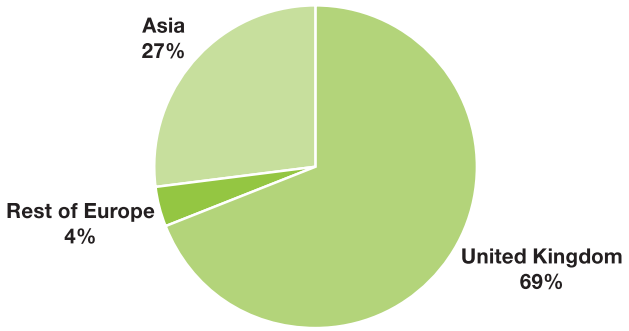
The Leisure team successfully let or acquired over 250,000 sq ft of retail and leisure this year. Key openings in 2003 included Xscape in Castleford, a £60m centre opened in October 2003.

Hotels and Healthcare

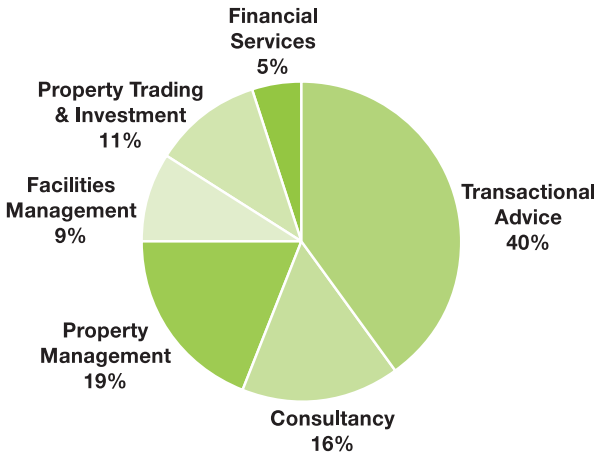
2003 was a record year for our Hotels team having increased their turnover by 50% and profits by 70%.

Notable sales were the 5 Queens Moat House managed hotels for the Bank of Scotland which will now be managed by other operators. We also successfully leased two major hotels to Europe's largest hotel operator and advised on an investment sale for Lombard Finance.

2003 Turnover by Region



2003 Turnover by Segment



The Healthcare department continued to expand and during the year over £420m of health related properties were valued or sold.

Key transactions in the sector include:

- the Healthcare department were retained by The Medical Property Investment Fund to provide valuation advice on medical centres following the successful launch of a fund, which raised £400m of equity; and
- we are also advising on five LIFT projects (public, private partnerships in primary healthcare) where developments are planned with a combined value in excess of £250m.

Fund Management

2003 was an important year for Fund Management seeing the department break the £1bn barrier for funds under management for the first time. A highlight of the period was the progress of the Charities Property Fund which now stands at £136m with over 308 investors. The team has been strengthened by further recruitment and John Partridge, formerly Global Director of Property, Henderson Global Investors, was appointed during the year to head the team. We intend to expand this business substantially in the next two years.

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 £7.6m (2002 - £6.3m) on turnover of £49.1m (2002 - £43.0m).

Valuation

The Residential Valuation team continued to broaden its areas of operation, both geographically and by property type. The team undertook a number of different and varied valuations during the year including: the valuation of several sites in the Home Counties and South West owned by Beechcroft Ltd; a mixed development site, for loan security purposes, of private and affordable housing and retail space adjacent to the Royal Free Hospital in north west London and a substantial number of ground rent portfolios across the Country. The team are also advising Westminster City Council in connection with its interest in Dolphin Square, London SW1, a well-known block of over 1,000 flats and commercial property.

The Commercial Valuation department had another successful year expanding the existing team in Manchester and establishing a new Commercial Valuation team in Edinburgh, providing clients with a more comprehensive national coverage. During the year we assisted in the bidding process for the potential takeover of the Canary Wharf Group. The core business of the department continues to be valuations for lenders for loan security purposes, for which we provided advice to over 50 lending organisations during the year.

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AUBREY ADAMS, GROUP CHIEF EXECUTIVE, SAVILLS PLC

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GROUP CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONTINUED

Building Consultancy

The Building Consultancy division continued to enjoy successful growth increasing both turnover and profit. This was achieved by increasing market share across the retail, housing and office sectors. In the retail and leisure sector we co-ordinated the technical due diligence of two landmark shopping centre development projects to facilitate the purchase and forward funding of Chelsfield's 130,000 sq m Whitecity development in west London and AM Development's 62,000 sq m redevelopment of Victoria Square, Belfast.

Our specialist team focusing on the social housing sector had another year of significant expansion with substantial growth in the number of stock condition surveys undertaken and procurement advisory work. We worked with Local Authorities and Housing Associations throughout the Country, including several large London Authorities. Our work included completion of the Glasgow City Council stock transfer of 81,000 properties, the largest to have ever taken place, and we took the business overseas for the first time undertaking work for the State Government of Victoria in Australia. In addition, we have diversified into new business streams including providing consultancy in relation to the Private Finance Initiative (PFI) in the social housing sector.

A key instruction by our Project Management division was the successful completion of a major refurbishment and relocation in the City of London for insurance broker, Alexander Forbes. This prestigious project involved the transformation of a tired Eighties building into a modern flexible headquarters for 750 staff.

Following strategic restructuring at the half year, the residential Building Consultancy team achieved improved turnover reflecting a concentration on higher value architectural and project management business throughout the UK. A department specialising in residential refurbishments has been established in central London.

Landlord and Tenant

2003 was another excellent year for the Landlord and Tenant department, with income up 21% and profit up 27%. These figures were the result of a combination of factors, with the strongest income streams again produced by Central London Offices and Out-of-Town Retail.

Office rental levels in the City of London have fallen but West End demand remains strong. Income streams from the out-of-town retail warehouse market remains stable.

Rating

During the year the Business Rates team continued to settle appeals achieving an average reduction of 14% with successful appeals. Acting for both developers/owners and tenants, the department recently concluded appeals on over 400,000 sq ft of new offices in west London. The total saving in rateable value was in excess of £1.7m and the clients' annual rate bills were reduced by 18% on average. The department had again been instructed by operators of UK Motorway Service Areas to advise on business rates matters. The instruction covers approximately 80 service areas with a combined rateable value of many millions and spans several years.

Planning

The Planning division had another successful year and is now based in nine locations across the Country. The London team in particular has grown during the year and an urban design team has been added at Southampton. Acting for a diverse range of private and public sector clients, the Planning division is active in the residential, commercial, retail, institutional, regeneration and energy sectors.

Notable projects during the year included:

- securing a major development area of 1,000 dwellings, leisure, education, facilities and transport infrastructure at Worthing for a consortium of developers;
- producing a development brief and design codes for a sustainable mixed-use community, part of the eastward expansion of Milton Keynes, for English Partnerships; and
- advising the Highways Agency on the development implications of the M1 widening.

A Commercial Planning team based at Grosvenor Hill has now been strengthened with further recruitment planned in London and Manchester.

Housing Consultancy

The Housing Consultancy department now operates from four offices nationally with approximately 35% of turnover from repeat annual valuations. We continue to increase the range of advice on offer as our customers diversify and move into or devise new forms of tenure. In Kingston Upon Hull, we completed the first stage of an asset management strategy for the Council's 32,000 housing stock. In north London, we advised a housing association on a 950 unit mixed tenure residential redevelopment of an ex-council estate and in Bradford we provided valuations for the six new social landlords acquiring the Council's 25,000 homes.

The Affordable and Student Accommodation Projects team is a new department to service growing demand for affordable, key worker and good quality student housing.

Key projects in 2003 include:

- advising several major developers with regard to the Section 106 affordable housing elements of their projects;
- advising on the acquisition and disposal of two major student accommodation portfolios; and
- disposing of four mixed-use development sites that emerged from advising our public sector clients.

Research

The Research team has been key in providing vital information and predictions in all sectors of property, to a wide variety of clients, covering development, investment, government, and housing associations. Our feasibility studies were not confined to residential; major projects included an economic overview of Belfast for a report addressing the forward funding of a £250m shopping centre and analysis for a public inquiry into the likely demand for over 1m sq ft of offices within Croydon town centre.

Research consultancy services were provided on several large, strategic residential-led schemes which will deliver in excess of 15,000 new housing units.

Outside the UK, we recently contributed to the due diligence report for the acquisition of an office building in Milan. We have completed the first stage of advising, on the feasibility of the development of an international standard business park and retail scheme as part of a 1.1m sq m mixed-use development in Cyprus and we recently advised a major international shopping centre developer on the feasibility of the development of a 47,000 sq m out-of-town retail scheme in Greece.

Property Management

The Property Management business continued to perform in line with expectation, generating fee income from managing commercial, residential and agricultural properties for owners. During the year, turnover was £57.8m (2002 - £56.4m), generating a profit before interest and tax of £3.9m (2002 - £3.1m).

Commercial and Residential Management

The Commercial Management business has continued to perform strongly both throughout the UK and Europe. We have continued to invest in the business through recruitment and have expanded the teams in Glasgow, the West End and City offices as well as centralising our Management Accounts team in Manchester.

The business continues to focus on the management of central London office properties for German open-ended funds, including properties on Paternoster Square and the recently completed Victoria Plaza. The team also manages UK funds (including Diageo and Charities) and Henderson's expanding portfolio of retail warehouse properties.

2004 will see the formation of a further team specialising in Shopping Centres and strengthened links with our offices in Paris, Madrid and Amsterdam have resulted in European wide management instructions for various clients.

The Property Management businesses in Asia were able to maintain 2002 profit levels despite increased competition and fee cutting, through a combination of cost cutting and securing additional contracts. With commercial office rents expected to rise in Hong Kong, pressure on fee levels from landlords is anticipated to reduce in 2004.

Property management income in China has grown by over 27% in 2003 on the back of a strong agency presence and growing demand for professional property management services on the mainland. Elsewhere in Asia, FPDSavills has closed the Agency businesses in Thailand and the Philippines, and has taken measures to reduce staffing and costs in Singapore.

In Australia the business suffered from extremely high insurance premium costs and a high cost structure in its Property Management business, both these issues have been addressed.

PRE-TAX PROFIT UP BY **73%**

DIVIDENDS PER SHARE UP BY **33%**

GROUP OPERATING PROFIT UP BY **25%**

GROUP CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONTINUED

Land and Farm Management

Despite a difficult market the Rural Property group has had a successful year with high margins. The business concentrated on organic growth in specialist areas such as renewable energy, taxation and expert witness. We expanded our management team by recruitment and also by acquisition, the latter including Smith Woolley's Norwich office.

Aubourn, our specialist farming and rural business consultancy subsidiary, has continued to develop the range of services it can provide. In 2003 it succeeded in gaining over £3.5m of grant support for clients seeking to develop and diversify their core businesses. The reform of EU farm policy in 2004 is expected to provide further opportunities for the expansion of the company's consultancy services.

Facilities Management

FPDSavills Guardian, our Facilities Management operation in Hong Kong, made profits before interest and tax of £0.4m (2002 - loss £2.3m) on turnover of £27.7m (2002 - £29.8m).

Through our alliance with Trammell Crow Company we are able to provide comprehensive property outsourcing services throughout Europe. In December 2003 Trammell Crow Company increased their majority holding in Trammell Crow Savills (TCS) and we have written off our remaining investment. Outsourcing is a core offering of Trammell Crow Company and conversely is not now considered a mainstream Savills activity. We remain totally committed to supporting the business, which will continue to refer the execution of transactional business to Savills wherever possible.

Property Trading and Investment

Grosvenor Hill Ventures, our principal property trading subsidiary had an excellent year. They successfully concluded the sale of The Mill Discount Department Store, Yorkshire, for a cash consideration of £9.5m representing the written down book value.

They also made three notable disposals: two properties at Wishaw and Lisburn, both held by companies in which we had a 50% interest together with external co-investors and a property at Redditch. These sales made a significant contribution in the second half and profit before interest and tax for the Property Trading and Investment business for the year was £5.1m (2002 - loss of £4.7m) on turnover of £32.3m (2002 - £17.0m).

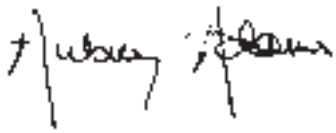
The business continued to make selective investments in the out-of-town retail sector throughout 2003 and three properties remain within the portfolio. It is anticipated that these will be used to provide initial seed assets for funds or will be disposed of in due course. The focus for business activities in the future will be to provide seed capital for the property fund business.

The Group's interest in Managed Office Solutions (GHV), our managed office space business, continued to make good progress. We believe this business has a strong base and the focus is now to expand and add new centres.

Financial Services

The Financial Services division is mainly comprised of Savills Private Finance Limited, which provides residential mortgage broking services, commercial debt broking services and associated financial products. The division had a record year with profit before interest and tax of £3.9m (2002 - £1.6m) on a turnover of £15.5m (2002 - £12.0m).

Savills Private Finance continues to build this quality business and is now recognised as the leading provider of mortgage finance to the high net worth market. Of particular note, 2003 saw Savills Private Finance voted Mortgage Broker of the Year by the mortgage banks. Organic growth is taking place through selective recruitment of key staff dedicated to the quality service associated with the Group. The company is now operating from 12 locations throughout the UK, with further offices planned for 2004.



Aubrey Adams, Group Chief Executive

FINANCIAL

Results for the Year

Group turnover increased by 7% from £282.3m to £301.7m. Group profit before tax increased from £20.4m to £35.3m and basic EPS increased from 15.1p to 39.2p. Financial highlights for the year include:

- Excluding sale of trading properties, impairment and amortisation of goodwill the basic EPS was 39.8p in 2003 compared to 31.3p in 2002.
- The Group operating margins, excluding sale of trading properties, increased from 10.4% to 11.7% in 2003.
- Operating profits from acquisitions of £0.4m was attributable to the acquisition of a majority interest in FPDSavills Nederland BV.
- Profits of £4.7m were generated from the sale of trading properties during the period compared to £1.3m in 2002.
- During the year the Group decided to write down the remaining goodwill in it's associate undertaking Trammell Crow Savills Limited to a nil value, at a cost of £1.2m. Together with operating losses and amortisation the total losses from associate undertakings was £1.6m in 2003.
- During the year the Group sold shares held in the London Stock Exchange for a consideration of £0.5m which were carried at nil cost.

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 31 March 2003, FPDSavills International BV increased its shareholding in FPDSavills (Australia) Pty Ltd from 78.5% to 91% for a total consideration of £1.8m. Goodwill on acquisition of £1.4m was capitalised.
- On 12 September 2003 Savills (Overseas Holdings) Limited acquired the remaining minority interest (47.2%) of FPDSavills Immobilien Beteiligungs-GmbH for a consideration of £5.9m. The goodwill arising on acquisition was £5.2m. A further £1.5m of deferred contingent consideration is potentially payable in September 2005. This has not been recognised at 31 December 2003.
- On 11 September 2003 Savills (Overseas Holdings) Limited, increased its shareholding in FPDSavills Nederland BV from 40% to 61%, for a cash consideration of £0.5m. Goodwill of £0.5m arose on acquisition.
- On 30 June 2003, the Group disposed of The Mill Discount Department Store at book value for a total consideration of £9.5m, of which £0.5m is deferred and will be paid in two equal instalments in December 2004 and 2005.

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 and swaps, when appropriate, to manage its exposure to interest rate fluctuations. At the year end, 53% 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, 57% 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

ROBERT MCKELLAR

REVIEW

bankers of £19.0m 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 £0.2m (2002 - £0.4m). Higher operating cashflows reduced the net interest payable.

Taxation

The effective taxation rate decreased to 35.2% of the profit before tax compared with 49.6% during the year to 31 December 2002. This reflects disallowable amortisation and goodwill, overseas losses where no tax relief is assumed, higher corporate tax rates in continental Europe, offset by a lower rate of tax for Hong Kong.

Minority Interests

The Minority Interest share of profits decreased to £0.8m (2002 - £1.7m) following the acquisition by the Group of the remaining 47.2% in FPDSavills Immobilien Beteiligungs-GmbH which represents our continental European business in Germany, France and Spain.

Earnings and Dividend

Basic earnings per share amounted to 39.2p (2002 - 15.1p). Adjusted Basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill amounted to 39.8p (2002 - 31.3p).

The Board is recommending a final dividend of 10.0p (net), making 13.6p for the full year, a 33% increase on last years 10.2p. The dividend will be paid on 12 May 2004 to shareholders on the register at 13 April 2004.

Share Capital

During the year ended 31 December 2003, 28,000 shares were issued to participants in the Savills plc United Kingdom Executive Share Option Scheme and 165,087 to participants in the Savills Sharesave Scheme. A further 153,884 shares were issued to the QUEST. During the year ended 31 December 2003, 2,130,000 shares were re-purchased for cancellation. The total number of Ordinary Shares issued at 31 December 2003 was 61.4m (2002-63.2m). Since the year-end, 100,000 shares were re-purchased for cancellation as at 2 March 2004.

Cash Flow and Liquidity

Net cash inflow from operating activities totalled £60.6m which, after allowing for cash flows including taxation, dividends, investments and capital expenditure (see below), produced a net increase in cash of £10.4m. At 31 December 2003, the Group's cash at bank and on short term deposit amounted to £71.9m. 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 £10.7m.

Intellectual Property

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

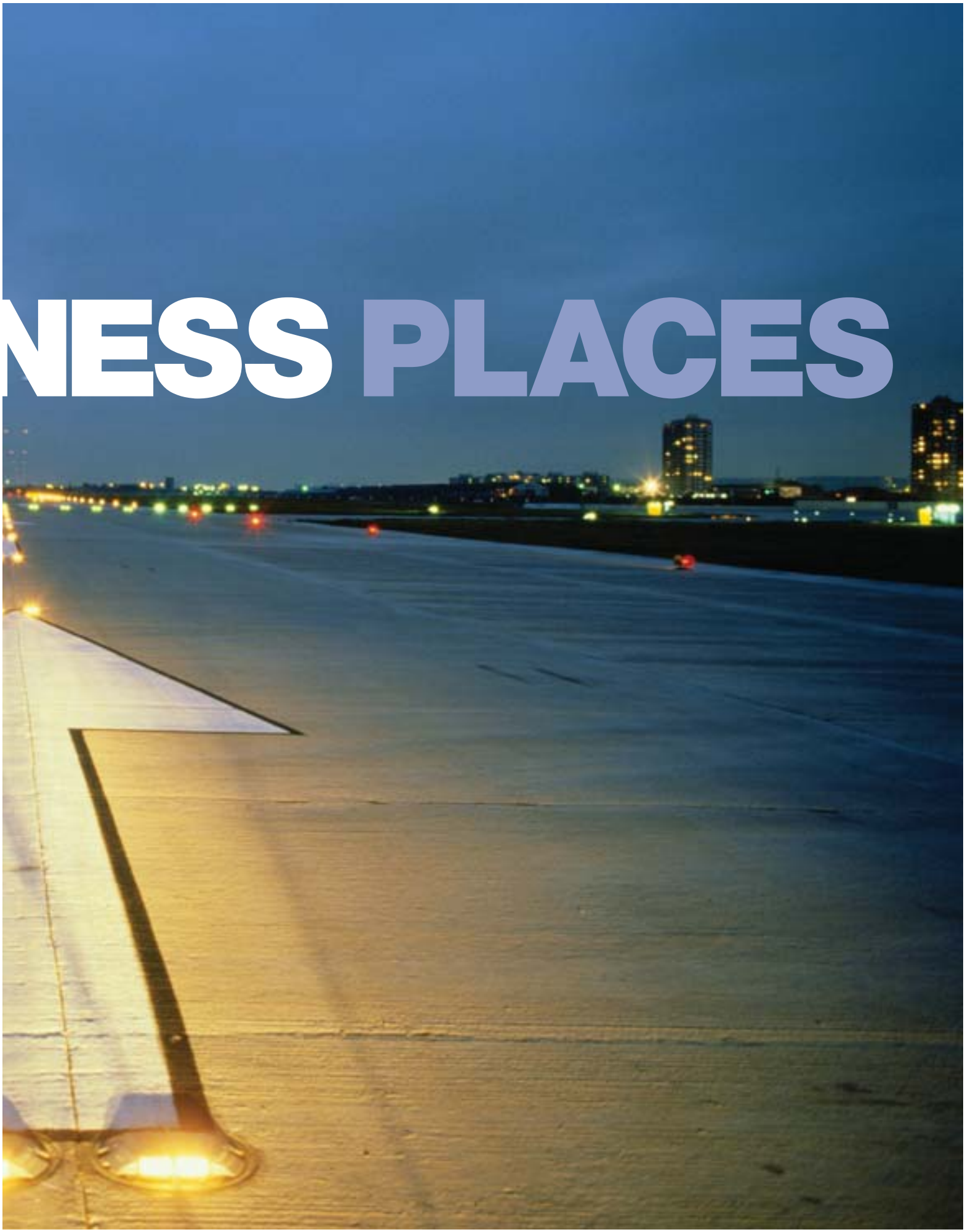
New Accounting Standards

Full adoption of Financial Reporting Standard 17 - "Retirement Benefits", (FRS 17) issued in November 2000 by the Accounting Standards Board which 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 transitional arrangements of FRS 17, certain additional disclosures are included in Note 7 on pages 52 to 54.

The table in Note 7 illustrates that if FRS 17 had been fully in force as at 31 December 2003, the net worth for the Group would have been reduced by £17.9m (2002 - £17.7m) 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


TAKING BUSIN


NESS PLACES

DIRECTORS

The following are on the Board of Directors at 2 March 2004:

1 Richard Jewson
Non-Executive Chairman ●◆
Aged 59, 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 a Non-Executive Director of Grafton Group plc, Temple Bar Investment Trust plc, Jarrold and Sons Ltd and Anglian Water Services Limited.

2 Aubrey Adams ▲
Group Chief Executive
Aged 54, 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.

3 William Concannon
Non-Executive Director ■
Aged 48, was appointed to the Board as a Non-Executive Director on 30 June 2000. He is currently Vice Chairman of Trammell Crow Company and was President of its Global Services Business, which operated its outsourcing services subsidiary. He serves on the Trammell Crow Company Board of Directors. He is based in the USA.

4 Jeremy Helsby ▲
Director
Aged 48, 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 FPDSavills Asia Pacific Limited. He is also responsible for FPDSavills European business which includes offices in Germany, France, Netherlands, Spain, Greece and Italy.

5 Simon Hope
Director
Aged 39, 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. He is also on the Board of the Charities Property Fund Committee.

6 Timothy Ingram
Non-Executive Director ■●◆
Aged 56, 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.

7 Derek McClain
Non-Executive Director
Aged 48, 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 USA.

8 Robert McKellar ▲
Finance Director
Aged 44, was appointed to the Board on 1 June 2000 having served as Finance Director of FPDSavills Commercial Limited since December 1994. He is also Chairman of FPDSavills Asia Pacific Limited.

9 Charles McVeigh
Non-Executive Director ■●◆
Aged 61, Charles was appointed to the Board as a Non-Executive Director on 1 August 2000 and is Chairman of the Audit Committee. He is currently Co-Chairman of Citigroup European Investment Bank 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.

10 Rupert Sebag-Montefiore ▲
Director
Aged 50, joined Savills in 1980, became Head of FPDSavills' Western Region in 1991. In May 2000 he became Managing Director of FPDSavills Limited, Savills' general practice surveying subsidiary and was appointed to the Board on 31 May 1995. In January 2001 he was appointed to the Board of Fastcrop plc (the holding company of Primelocation.com), an Internet property aggregator site in which FPDSavills Limited has made a strategic investment. He is a Governor of Bournemouth University.

11 Fields Wicker-Miurin
Non-Executive Director ■●◆
Aged 45, was appointed to the Board on 27 June 2002. She is a Director of Leaders' Quest, United Business Media plc, the Royal London Group, Carnegie 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.

■ Audit Committee
● Remuneration Committee
◆ Appointments Committee
▲ Executive Sub-Committee

REPORT OF THE

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 £22.0m (2002 - £8.5m). An interim dividend of 3.6p (net) per share amounting to £2.0m (2002 - £1.9m) was paid. It is recommended that a final dividend of 10.0p (net) per share, amounting to £5.6m (2002 - £3.9m), should be paid, leaving a retained profit for the year of £14.4m (2002 - £2.7m).

Principal Developments

The development of the businesses is detailed in the Group Chief Executiveís Review of Operations and the Finance Directorís Financial Review on pages 12 to 23.

Directors

The names and short biographical details of the current Directors are shown on pages 26 and 27. David Wong resigned as a Director on 30 June 2003.

In accordance with the Company's Articles of Association, the Directors retiring by rotation at this yearís Annual General Meeting are Richard Jewson, Charles McVeigh and Rupert Sebag-Montefiore 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 2003 or their families are set out in Note 6(d) to the Accounts on page 52. Details of Directors' share options are given in the Remuneration Report on pages 32 to 38.

Substantial Shareholdings

As at 1 March 2004, 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	6,132,000	10.00
The Savills plc 1992 Employee Benefit Trust	5,137,852	8.36
Zurich Financial Services	2,580,000	4.20
Jupiter Split Trust plc	2,500,000	4.07
The Prudential Assurance Company Limited	2,343,221	3.81
Caledonia Investments plc	2,190,000	3.57
Legal & General	1,968,324	3.20

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 60.

In accordance with the Listing Rules and at the AGM on 7 May 2003 the shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 5% of the issued share capital. During the year Savills plc purchased 2,130,000 shares for cancellation under the programme at a total cost of £4.3m (3.15% of the current issued share capital at an average cost of 198.10p per share excluding costs). As announced on the 30 December 2003, the Company undertook an irrecovable, non-discretionary programme to re-purchase its own shares during the close period. The Company purchased 100,000 shares for cancellation during this period.

The Board proposes to seek shareholder approval at the Annual General Meeting on 5 May 2004 to renew the Companyís authority to purchase its own ordinary shares of 5p each for cancellation. Details of the proposed resolution is outlined in the Notice of Annual General Meeting despatched to shareholders with this Report and Accounts.

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 5 May 2004, 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 78 days' purchases outstanding at the end of the year for the Company (2002 - 14 days).

Charitable Donations and Political Contributions

The amount paid to charitable organisations during the year was £41,669 (2002 - £62,370). In addition to the donation above, during the year under review, the Group operated a ëGive As You Earní scheme, whereby employees can donate a portion of their monthly salary to a registered charity. The Group also operated a bonus waiver, whereby employees may elect to waive an element of annual bonus to registered charities of their choice upon which the Group augments the donation to the chosen charity by 10%. These additional Group contributions totalled £9,619 (2002 - £9,402) 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

DIRECTORS

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 on an equal basis irrespective of race, sex, disability, sexual orientation and religious beliefs.

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" issued June 1998, 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 meetings and four additional meetings. The Board has adopted a formal schedule of matters specifically reserved to it for decision which includes all those matters that are the responsibility of the Board as required under the Companies Act, the Combined Code and the Listing Rules. Savills plc has an Executive Sub-Committee (ESC) which comprises the Group Chief Executive and such other Executive Directors as the Board shall nominate from time to time. The current Committee members are indicated on pages 26 and 27. The Committee meets at least once between Board meetings. The ESC has separate Terms of Reference, which are approved by the Board and the Minutes of the ESC are circulated to all Board members in advance of full Board Meetings. 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 five Executive Directors. The posts of Chairman and Group Chief Executive are separated. The biographies of the current Board members appear on pages 26 and 27.

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 Trammell Crow Company, a major shareholder, Fields Wicker-Miurin, Timothy Ingram and Charles McVeigh may be considered independent for the purposes of the Code. The Board has not formally nominated a senior independent Non-Executive Director, 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. The Board undertakes an annual evaluation as to its performance and that of its Committees.

Board Committees

The Board has delegated certain authorities to committees each with formal terms of reference which are available on request. The members of each committee are indicated on pages 26 and 27. The principal committees of the Board are as follows:

Audit Committee

The Committee consists of four 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 three independent Non-Executive Directors and the Chairman 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 packages of the other directors and senior executives and attends all remuneration discussions, except when his own position is being discussed. The Board believes that it is appropriate for the Chairman to Chair the Committee given the central part that remuneration plays in the success of the Company.

Appointments Committee

The Committee consists of the three independent Non-Executive Directors, and the Chairman. 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.

REPORT OF THE DIRECTORS CONTINUED

Directors' Remuneration

The Remuneration Report is set out on pages 32 to 38. The Remuneration Report will be put to shareholders at the Annual General Meeting (AGM) in 2004.

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 2003 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 39 and the Auditors have set out their reporting responsibilities including corporate governance matters as part of their report on page 42.

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.

- There is a formal policy and procedure available to all employees who are concerned about possible wrong doing, financial or otherwise and who may wish to ensure that action is taken without fear of victimisation or reprisal.

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 independent non-executive director.

Auditors

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

THINKING NOT JUST TRANSACTING

REPORT OF THE DIRECTORS CONTINUED
REMUNERATION REPORT

Remuneration Policy

The Remuneration Committee, the role and composition of which are detailed on page 29, 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 2003.

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 35. 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 33 to 37.

In 2002 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. The results of this review and any recommendations were considered and where appropriate adopted in 2003 and the Remuneration Committee is satisfied with the Board's current approach.

Over the last five years, the Company has outperformed the FTSE Small Cap Index to give a Total Shareholder Return of 349.8% compared with a return of 36.5% 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:

Total Shareholder Return (Rebased) - 5 years to 31 December 2003

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.

REPORT OF THE DIRECTORS CONTINUED
REMUNERATION REPORT

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 30% of profit through to 65% 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 34. 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 2003. 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 undertook a review of the provision of pension benefits in 2003, as a result the Plan will continue in existence but with effect from 1 April 2004, members contributions will increase to 7%.

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 (audited)

	Salary/fees		Bonus				Benefits		Total excl. pension	
	Year to 31 December 2003	Year to 31 December 2002	**Cash**	**Deferred****	Cash	Deferred**	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002
Executive Directors	**£**	£	**£**	**£**	£	£	**£**	£	**£**	£
Aubrey Adams*	**119,000**	119,000	**450,000**	**-**	260,000	-	**939**	900	**569,939**	379,900
Jeremy Helsby*	**101,000**	101,000	**175,000**	**37,000**	125,050	31,250	**939**	900	**313,939**	258,200
Simon Hope	**85,000**	85,000	**817,000**	**82,750**	735,000	18,750	**9,029**	9,953	**993,779**	848,703
Robert McKellar*	**94,000**	94,000	**275,000**	**25,000**	180,000	25,000	**402**	361	**394,402**	299,361
Rupert Sebag-Montefiore*	**100,929**	101,098	**-**	**37,000**	250,000	31,250	**939**	900	**138,868**	383,248
David Wong* (resigned 30 June 2003)	**92,813**	205,072	**183,438**	**-**	180,000	-	**35,156**	74,731	**311,407**	459,803

* The Company has made contributions to defined contribution pension plans in respect of the above Directors, as detailed on page 34.

** For details of the Deferred Share Bonus Plan please refer to page 35.

Aubrey Adams and Jeremy Helsby waived their entitlement to £50,000 and £6,000 bonus payments respectively in favour of contributions to registered charities by their employing companies.

REPORT OF THE DIRECTORS CONTINUED
REMUNERATION REPORT

Analysis of Directors' remuneration (continued) (audited)

	Salary/fees		Bonus		Benefits		Total excl. pension	
	Year to 31 December 2003	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002
Non-Executive Directors	**£**	£	**£**	£	**£**	£	**£**	£
William Concannon	**22,500**	22,500	**-**	-	**-**	-	**22,500**	22,500
Timothy Ingram	**26,296**	12,500	**-**	-	**-**	-	**26,296**	12,500
Richard Jewson	**80,000**	75,000	**-**	-	**-**	-	**80,000**	75,000
Derek McClain	**22,500**	7,756	**-**	-	**-**	-	**22,500**	7,756
Charles McVeigh	**27,083**	25,000	**-**	-	**-**	-	**27,083**	25,000
Fields Wicker-Miurin	**26,042**	12,604	**-**	-	**-**	-	**26,042**	12,604

Analysis of Director's pension entitlement - defined contribution schemes (audited)

The Company made contributions to the following Directors' defined contribution pension plans

	Group contribution during year to 31 December 2003	Group contribution during year to 31 December 2002
Executive Directors	**£**	£
Aubrey Adams	**200,000**	80,000
Jeremy Helsby	**472,500**	450,000
Simon Hope	**120,000**	-
Robert McKellar	**80,100**	65,100
Rupert Sebag-Montefiore	**552,000**	346,000
David Wong (resigned 30 June 2003)	**4,641**	10,254

Analysis of Directors' pension entitlements - defined benefit scheme (audited)

	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 2003	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002	**Year to 31 December 2003**	Year to 31 December 2002
Executive Directors	**£**	£	**£**	£	**£**	£	**£**	£	**£**	£	**£**	£
Jeremy Helsby	**1,005**	1,032	**4,074**	2,641	**32,583**	31,050	**1,533**	1,533	**360,998**	230,876	**125,522**	(66,901)
Simon Hope	**1,194**	1,218	**2,458**	1,352	**14,521**	13,104	**1,417**	1,416	**118,600**	68,832	**45,518**	(18,482)
Rupert Sebag-Montefiore	**992**	1,019	**4,672**	3,084	**33,350**	31,817	**1,533**	1,534	**381,270**	248,102	**128,569**	(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.

REMUNERATION REPORT

Directors' Deferred Share Bonuses and Option Schemes

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 the existing Savills plc 1992 Employee Benefit Trust (the EBT) by purchase in the market but Directors and senior executives do not obtain a beneficial interest in any shares prior to vesting. Neither the DSBP nor the trust contain powers to subscribe new equity. The first awards under the DSBP were made in March 2002.

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 Director's 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 2003 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 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 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. If any options are granted during 2004 they will be subject to a performance period of three consecutive financial years with the opportunity to extend the period once only to four years if not met after the initial three year period. Having regard to the requirements laid down by institutional investors in relation to performance conditions, the Remuneration Committee agreed that any grant of options that take place from 2005 would be subject to one fixed performance period of three consecutive financial years.

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 Share Incentive Plan (SIP)

At the Annual General meeting on 7 May 2003, shareholders approved the introduction of the SIP. This is a share purchase plan available to all employees and Executive Directors are eligible to participate. The scheme is aimed at encouraging employee share ownership and an interest in the Company's performance together with the retention of staff. Employees invest in Savills plc shares using pre-income tax and pre-national insurance contribution (NIC) salary. If the shares are held in the Plan for five years no income tax or NIC is payable. The scheme will be launched in May 2004. There are other elements of the SIP authorised by shareholders but it is not the present intention to offer these elements.

REMUNERATION REPORT

Savills plc 1992 Executive Share Option Scheme (ESOP) (audited)

Directors	Number of shares			Exercise price per share	Market value at date of exercise	Date from which exercisable	Expiry date
	At 31.12.02	Exercised during year	At 31.12.03				
Jeremy Helsby	40,000	40,000	-	Nil	168p	25.07.01	25.07.03
	10,000	10,000	-	Nil	240p	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	10,000	10,000	-	Nil	139p	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	144p	14.01.03	14.01.05
	10,000	10,000	-	Nil	240p	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-Montifiore	20,000	20,000	-	Nil	299.5p	14.01.03	14.01.05
	20,000	20,000	-	Nil	299.5p	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 (audited)

Directors	Number of shares					Market price on date of exercise	Exercise price per share	Exercisable within 6 months from
	At 31.12.02	Granted during year	Exercised during year	Lapsed during year	At 31.12.03			
Aubrey Adams	20,535	-	20,535	-	-	299p	84p	01.12.03
Jeremy Helsby	1,174	-	1,174	-	-	220.5p	165p	01.10.03
Simon Hope	5,871	-	-	5,871	-	-	165p	01.10.03
	-	4,054	-		4,054	-	111p	01.07.06
Rupert Sebag-Montefiore	8,214	-	-	-	8,214	-	84p	01.12.03
	4,687	-	-	4,687	-	-	144p	01.10.04
	-	2,464	-	-	2,464	-	111p	01.07.06

REPORT OF THE DIRECTORS CONTINUED
REMUNERATION REPORT

The Savills Executive Share Option Scheme (2001) (audited)

Directors	Number of shares				Exercise price per share	Date normally first exercisable	Expiry date
	At 31.12.02	Granted during year	Approved / unapproved	At 31.12.03			
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
	-	80,000	Unapproved	80,000	139p	25.03.06	25.03.13
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
	-	65,000	Unapproved	65,000	139p	25.03.06	25.03.13
Simon Hope	20,761	-	Approved	20,761	144.5p	26.09.04	26.09.11
	29,239	-	Unapproved	29,239	144.5p	26.09.04	26.09.11
	50,000	-	Unapproved	50,000	194.5p	10.04.05	10.04.12
	-	50,000	Unapproved	50,000	139p	25.03.06	25.03.13
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
	-	25,000	Unapproved	25,000	139p	25.03.06	25.03.13
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
	-	65,000	Unapproved	65,000	139p	25.03.06	25.03.13
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
	-	25,000	Unapproved	25,000	139p	25.03.06	25.03.13

The Savills Deferred Share Bonus Plan (DSBP) (audited)

Directors	Number of shares			Exercise price per share	Vesting date
	At 31.12.02	Awarded during year	At 31.12.03		
Jeremy Helsby	39,733	-	39,733	187.5p	22.03.07
	-	22,727	22,727	137.5p	14.03.08
Simon Hope	24,800	-	24,800	187.5p	22.03.07
	-	13,636	13,636	137.5p	14.03.08
Robert McKellar	24,800	-	24,800	187.5p	22.03.07
	-	18,181	18,181	137.5p	14.03.08
Rupert Sebag-Montefiore	39,733	-	39,733	187.5p	22.03.07
	-	22,727	22,727	137.5p	14.03.08

The ESOP expired on 23 May 2001 and no grants were made under this scheme during the year. No Directorsí share options under the Executive Share Option Scheme (2001) were exercised and no awards under the DSBP vested during the year. No Directorsí share options/awards under the ESOP, the Executive Share Option Scheme (2001) or DSBP lapsed. The mid market price of the shares at 31 December 2003 was 332.5p and the range during the year was 116.5p to 332.5p. At 31 December 2003, all Executive Directors were deemed to have an interest (for the purpose of the Companies Act 1985) in 5,192,852 shares held by the trustee of the EBT and in 184,569 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.

REPORT OF THE DIRECTORS CONTINUED
REMUNERATION REPORT

Directorsí 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
William Concannon	30 June 2000	See below *	N/A
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	31 October 2004	6 months
Derek McClain	28 August 2002	See below *	6 months
Robert McKellar	1 June 2000	31 May 2006	6 months
Charles McVeigh	1 August 2000	31 July 2006	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	Director resigned on 30 June 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 Directorís contract other than payment in lieu of notice.

Registered Office
20 Grosvenor Hill
Berkeley Square
London
W1K 3HQ

By order of the Board

R T Michelson-Carr
Company Secretary
2 March 2004

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 42, 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.

The financial statements for the year ended 31 December 2003 are included in the Annual Report 2003, which is published by the Company in hard-copy printed form and on the Companyís website on the internet. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may differ.

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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 sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movement in shareholderís 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 39.

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 Executivesí 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 issued in June 1998 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 Companyís 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 2003 and of the profit and cash flows of the Group 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

2 March 2004

CONSOLIDATED PROFIT & LOSS ACCOUNT

year ended 31 December 2003

	Notes	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Turnover - Group & share of joint ventures			
Other continuing operations		273,165	268,727
Sale of trading properties		28,987	14,049
Acquisitions		850	-
Turnover, including share of joint ventures		303,002	282,776
Less: share of turnover of joint ventures		(1,310)	(442)
Total Group turnover	2 & 3	301,692	282,334
Operating profit			
Other continuing operations		31,408	27,942
Sale of trading properties		4,714	1,266
Acquisitions		367	-
Group operating profit	2 & 3	36,489	29,208
Share of operating profit of joint ventures		30	9
Share of operating loss of associated undertakings	4	(1,559)	(3,928)
Operating profit including share of joint ventures & associated undertakings		34,960	25,289
Loss on disposal of interests in subsidiary undertakings		-	(216)
Profit on disposal of interest in associated undertakings		-	53
Profit on disposal of investments		521	-
Permanent diminution in value of investment property		-	(4,332)
Profit on ordinary activities before interest	2 & 3	35,481	20,794
Net interest	8		
Group		(208)	(289)
Joint ventures		(2)	(13)
Associated undertakings		(7)	(111)
Total net interest		(217)	(413)
Profit on ordinary activities before taxation		35,264	20,381
Tax on profit on ordinary activities	9	(12,409)	(10,115)
Profit on ordinary activities after taxation		22,855	10,266
Equity minority interests		(838)	(1,722)
Profit for the financial year		22,017	8,544
Dividends paid & proposed	10	(7,584)	(5,803)
Profit for the financial year transferred to reserves	21	14,433	2,741
Basic earnings per share	11(a)	39.2p	15.1p
Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill	11(b)	39.8p	31.3p
Diluted earnings per share	11(a)	36.0p	13.8p

The Notes on pages 47 to 70 form part of the Accounts.

There is no difference between the results disclosed in the consolidated profit & loss account and the results on a historical cost basis.

All results represent continuing activities.

BALANCE SHEETS

at 31 December 2003

	Notes	Group 31 December 2003 £'000	Group 31 December 2002 £'000	Company 31 December 2003 £'000	Company 31 December 2002 £'000
Fixed assets					
Intangible assets	12	36,021	30,115	-	-
Tangible assets	13	26,762	21,740	1,587	1,229
Investments					
Investments in joint ventures					
Share of gross assets		901	845	-	-
Share of gross liabilities		(361)	(303)	-	-
	14	540	542	-	-
Investments in associated undertakings	14	280	4,247	-	6,718
Other investments	14	2,833	3,302	73,244	64,488
Total investments		3,653	8,091	73,244	71,206
Total fixed assets		66,436	59,946	74,831	72,435
Current assets					
Property held for sale		8,081	24,656	-	-
Work in progress		2,801	2,736	-	-
Debtors	15	82,074	71,632	5,840	5,142
Cash at bank & short-term deposits		71,871	53,435	35,010	25,164
		164,827	152,459	40,850	30,306
Creditors - amounts falling due within one year	16	(103,753)	(95,811)	(47,645)	(32,959)
Net current assets/(liabilities)		61,074	56,648	(6,795)	(2,653)
Total assets less current liabilities		127,510	116,594	68,036	69,782
Creditors - amounts falling due after more than one year	17	(19,521)	(21,877)	(2,500)	-
Provisions for liabilities & charges	19	(10,306)	(5,578)	(32)	-
Net assets		97,683	89,139	65,504	69,782
Capital & reserves					
Called up equity share capital	20	3,070	3,159	3,070	3,159
Share premium account	21	42,237	41,512	42,237	41,512
Merger reserve	21	-	-	3,009	3,009
Profit & loss account	21	51,707	43,834	17,081	22,102
Capital redemption reserve	21	107	-	107	-
Equity shareholders' funds		97,121	88,505	65,504	69,782
Equity minority interests		562	634	-	-
		97,683	89,139	65,504	69,782

Approved by the Board of Directors on 2 March 2004 and signed on its behalf by

R. W. JEWSON

A. J. ADAMS

The Notes on pages 47 to 70 form part of the Accounts.

CONSOLIDATED CASH FLOW STATEMENT

year ended 31 December 2003

	Notes	Year to 31 December 2003 £'000	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000	Year to 31 December 2002 £'000
Net cash inflow from operating activities	26		60,563		46,272
Dividends received from joint ventures & associated undertakings			349		444
Returns on investments & servicing of finance:					
Interest received		1,527		1,312	
Interest paid		(1,734)		(1,623)	
Interest element of finance leases		(1)		(9)	
Minority interest dividends paid		(1,258)		(717)	
Net cash outflow from returns on investments & servicing of finance			(1,466)		(1,037)
Taxation:					
Corporation tax paid		(11,086)		(9,063)	
Tax paid			(11,086)		(9,063)
Capital expenditure & financial investment:					
Purchase of tangible fixed assets	13	(19,624)		(4,681)	
Purchase of fixed asset investments		-		(95)	
Repayment of loans		2		320	
Sale of tangible fixed assets		268		717	
Sale of investment property		8,881		-	
Sale of fixed asset investments		521		-	
Purchase of own shares for Employee Benefit Trust	14(b)	(831)		(330)	
Loans to joint ventures & associated undertakings		(77)		(247)	
Repayments of loans by joint ventures & associated undertakings		143		33	
Net cash outflow for capital expenditure & financial investment			(10,717)		(4,283)
Acquisitions & disposals:					
Purchase of subsidiary undertakings	14(e)	(7,901)		(2,203)	
Net cash acquired with subsidiary undertakings	14(e)	306		601	
Purchase of interests in joint ventures & associated undertakings	14(a)	(9)		(56)	
Additional investment in associate		-		(2,739)	
Overdraft of subsidiary undertaking disposed		-		87	
Sale of interest in joint ventures & associated undertakings		-		53	
Sale of subsidiary undertakings		-		576	
Net cash outflow from acquisitions & disposals			(7,604)		(3,681)
Equity dividends paid			(5,840)		(5,586)
Cash inflow before use of liquid resources & financing			24,199		23,066
Management of liquid resources:					
(Increase)/decrease in liquid funds on one month deposit	28	(7,195)		100	
Increase in short-term deposits	28	(2,230)		(5,735)	
Net cash outflow from management of liquid resources			(9,425)		(5,635)
Financing:					
Issue of shares	20 & 21	743		298	
Purchase of own shares	21	(4,256)		-	
Decrease in borrowings	28	(787)		(7,607)	
Capital element of finance leases repaid	28	(26)		(16)	
Net cash outflow from financing			(4,326)		(7,325)
Increase in cash	28		10,448		10,106

The Notes on pages 47 to 70 form part of the Accounts.

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

year ended 31 December 2003

	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Profit for the financial year		
Group	23,738	12,137
Joint ventures	6	5
Associated undertakings	(1,727)	(3,598)
	22,017	8,544
Currency translation differences on foreign currency net investments	(2,304)	(1,630)
Total recognised gains & losses for the year	19,713	6,914

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

year ended 31 December 2003

	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Profit for the financial year	22,017	8,544
Dividends	(7,584)	(5,803)
Retained profit for the year	14,433	2,741
Issue of share capital	743	298
Purchase of own shares	(4,256)	-
Currency translation differences	(2,304)	(1,630)
Net increase in shareholders' funds	8,616	1,409
Shareholders' funds at beginning of year	88,505	87,096
Shareholders' funds at end of year	97,121	88,505

The Notes on pages 47 to 70 form part of the Accounts.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

1. Principal accounting policies

Basis of accounting

The Accounts on pages 43 to 70 have been prepared under the historical cost convention modified to include the revaluation of investment properties and in accordance with applicable United Kingdom accounting standards on a consistent basis with prior years except as noted below.

Consolidation

The consolidated Accounts include the Accounts of the Company and its subsidiary undertakings made up to 31 December 2003. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of Group undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal, in each case being the date control passes. The Group's share of the profits less losses of joint ventures and associated undertakings is included in the consolidated profit and loss account and its interest in their net assets, including goodwill arising since 1 May 1998, is included in investments in the consolidated balance sheet. These amounts are taken from the most recent audited accounts of the undertakings concerned, or management accounts where recent audited accounts are unavailable.

On the balance sheet, investments in joint ventures are disclosed under the gross equity method. The assets and liabilities in respect of other joint arrangements have been consolidated within the individual categories of assets and liabilities of the Group.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which can be a maximum of 20 years, but is reviewed for each individual acquisition. Provision is made for any impairment.

Negative goodwill arising on consolidation in respect of acquisitions subsequent to 1 May 1998 is included within fixed assets and released to the profit and loss account in the years in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Goodwill arising on acquisitions in the year ended 30 April 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Turnover

Turnover in respect of property consultancy represents commissions and fees receivable excluding VAT. In addition, sales of properties held by the Group as trading assets are included in turnover. On traditional agency work in progress, no value is attributed until contracts on the underlying transactions have been exchanged. On complex multi-unit developments, revenue is recognised on a staged basis, commencing when the underlying contracts are exchanged. No value is generally attributed to commercial agency work in progress until completion. However, if exchange of contracts on the underlying transaction is unconditional, income is recognised on a phased basis in accordance with the contractual terms.

Employee Benefit Trust

The Company has established The Savills plc 1992 Employee Benefit Trust (the EBT), the purposes of which are to grant awards to employees to acquire shares in the Company pursuant to the Savills plc 1992 Executive Share Option Scheme and the Deferred Share Bonus Plan and to hold shares in the Company for subsequent transfer to employees on exercise or vesting of the awards granted under the schemes. The cost of shares in the EBT which have been allocated to employees pursuant to awards made is written off to the profit and loss account in full on allocation. The assets and liabilities of the EBT are included in the balance sheets of the Group and the Company.

Qualifying Employee Share Trust

The Company has established a Qualifying Employee Share Trust (QUEST) which acquires shares of the Company. These are transferred to employees on the exercise of options granted under the Savills Sharesave Scheme. The cost of these shares is written off directly to the profit and loss reserve in full on allocation. The assets and liabilities of the QUEST are included in the balance sheet of the Group.

Fixed assets

Fixed assets excluding investment properties are stated at historical cost less provision for depreciation and any permanent diminution in value.

Investment Properties

In accordance with SSAP 19 (revised), "Investment Properties", investment properties are revalued annually at open market values, determined in accordance with Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. All surpluses and deficits arising on valuation are taken directly to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Capitalisation of Interest

Interest related to financing the construction of tangible fixed assets is capitalised and added to the cost of the asset concerned.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

1. Principal accounting policies (continued)

Depreciation

Provision for depreciation is made at rates calculated to write off the cost, less estimated residual value, of tangible fixed assets from their commencement of service over their estimated useful lives as follows:

	Years
Freehold property	50
Leasehold property (less than 50 years)	over unexpired term of lease
Furniture & office equipment	6
Motor vehicles	5
Computer equipment & software	between 3 & 5

Property held for sale

Properties held by the Group for its own account as trading properties are stated at the lower of cost and net realisable value.

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes an appropriate proportion of overheads. Long-term work in progress is assessed on a contract by contract basis; turnover and related costs are included in the profit and loss account as contract activity progresses. Where the outcome of a long-term contract can be assessed with reasonable certainty, attributable profit is recognised. Long-term contracts are stated at cost net of amounts transferred to cost of sales, foreseeable losses and applicable payments on account.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is not provided on timing differences arising from the revaluation of investment properties where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

Accounting for leases

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) are capitalised at amounts equal to the original cost and depreciation is provided on the basis of the Group depreciation policy. The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest elements are charged to the profit and loss account. The annual payments under all other lease agreements, known as operating leases, are charged to the profit and loss account as incurred.

Pension costs

Retirement benefits for employees are provided by a defined benefit scheme which is funded by contributions from the Group and its employees. The Group contributions are determined by an independent qualified actuary, and are charged to the profit and loss account in order to spread the cost of pensions over the service lives of employees in the scheme. 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 profit and loss account when they are payable.

The notes to the financial statements contain additional information on retirement benefits as required by FRS 17. Further disclosures will be made in future years in accordance with the provisions set out in the standard.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Gains and losses from foreign currency transactions are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves net of exchange differences arising on related foreign currency borrowings.

Financial instruments

Page 22 of the Financial Review provides an explanation of the role that financial instruments have had during the year in affecting the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving those objectives that have been followed during the year.

The numerical disclosures in Note 18 deal with the financial assets and financial liabilities as defined in FRS 13. Certain assets such as investments in subsidiary and associated companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures, other than currency disclosures.

Savills Sharesave Scheme

No costs are recognised in respect of the Sharesave Scheme under the exemption permitted by UITF abstract 17.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

2(a) Segmental analysis

Year to 31 December 2003	Transactional Advice £'000	Consultancy £'000	Property Management £'000	Facilities Management £'000	Property Trading & Investment £'000	Financial Services £'000	Holding Company £'000	Total £'000
Turnover: Group & share of joint ventures	119,029	49,133	58,227	28,017	3,298	15,461	-	273,165
Sale of trading properties	-	-	-	-	28,987	-	-	28,987
Acquisitions	348	-	502	-	-	-	-	850
Less: share of turnover of joint ventures	-	-	(944)	(366)	-	-	-	(1,310)
Total Group turnover	119,377	49,133	57,785	27,651	32,285	15,461	-	301,692
Group operating profit/(loss)	18,047	7,555	3,538	1,889	5,109	3,386	(3,035)	36,489
Share of operating profit/(loss) of joint ventures	(80)	-	48	62	-	-	-	30
Share of operating profit/(loss) of associated undertakings	(54)	-	312	(1,540)	-	-	(277)	(1,559)
Profit on disposal of investments	40	-	-	-	-	481	-	521
Profit/(loss) on ordinary activities before interest	17,953	7,555	3,898	411	5,109	3,867	(3,312)	35,481
Net interest								(217)
Profit on ordinary activities before taxation								35,264
Net assets at 31 December 2003	27,582	10,578	16,128	1,552	5,093	6,085	30,665	97,683
Year to 31 December 2002								
Turnover: Group & share joint ventures	124,143	42,992	56,627	30,037	2,926	12,002	-	268,727
Sale of trading properties	-	-	-	-	14,049	-	-	14,049
Less: share of turnover of joint ventures	-	-	(216)	(226)	-	-	-	(442)
Total Group turnover	124,143	42,992	56,411	29,811	16,975	12,002	-	282,334
Group operating profit/(loss)	19,967	6,336	2,569	2,323	(336)	1,558	(3,209)	29,208
Share of operating profit/(loss) of joint ventures	-	-	29	(20)	-	-	-	9
Share of operating profit/(loss) of associated undertakings	211	-	436	(4,575)	-	-	-	(3,928)
Loss on disposal of interest in subsidiary undertaking	(216)	-	-	-	-	-	-	(216)
Profit on disposal of interest in associated undertakings	-	-	53	-	-	-	-	53
Permanent diminution in value of investment property	-	-	-	-	(4,332)	-	-	(4,332)
Profit/(loss) on ordinary activities before interest	19,962	6,336	3,087	(2,272)	(4,668)	1,558	(3,209)	20,794
Net interest								(413)
Profit on ordinary activities before taxation								20,381
Net assets at 31 December 2002	24,407	8,836	15,562	(3,404)	1,938	3,529	38,271	89,139

Turnover between segments is not material.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

2(b) Geographical analysis of turnover, Group operating profit, profit before interest & tax (PBIT) & net assets

	Total Group turnover Year to 31 December 2003 £'000	Group operating profit Year to 31 December 2003 £'000	PBIT Year to 31 December 2003 £'000	Net Assets 31 December 2003 £'000	Total Group turnover Year to 31 December 2002 £'000	Group operating profit Year to 31 December 2002 £'000	PBIT Year to 31 December 2002 £'000	Net assets 31 December 2002 £'000
United Kingdom	206,715	31,228	30,044	76,762	184,145	22,798	14,570	68,088
Rest of Europe	12,198	2,122	2,068	523	12,090	3,581	3,577	1,701
Asia	82,779	3,139	3,369	20,398	86,099	2,829	2,647	19,350
	301,692	36,489	35,481	97,683	282,334	29,208	20,794	89,139

The profit before interest and tax for the year ended 31 December 2003 for Asia is shown after charging goodwill amortisation of £1,544,000 (2002 - £1,338,000). The profit before interest and tax for the year ended 31 December 2003 for Europe is shown after charging goodwill amortisation of £278,000 (2002 - £205,000). The profit before interest and tax for the year ended 31 December 2003 for UK is shown after charging goodwill amortisation of £661,000 (2002 - £584,000).

Turnover by destination is not materially different from turnover by origin.

3. Group operating profit	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Total Group turnover	301,692	282,334
Staff costs (see Note 6)	(163,908)	(161,929)
Depreciation & other amounts written off tangible fixed assets	(4,923)	(5,388)
Impairment of tangible fixed assets	-	(1,173)
Amortisation of goodwill	(2,303)	(1,882)
Cost of sales - sale of trading properties	(24,273)	(12,783)
Other operating charges	(69,796)	(69,971)
Group operating profit	36,489	29,208

Included in Group operating profit are amounts relating to acquisitions being Group turnover of £850,000 (2002 - £865,000), staff costs of £301,000 (2002 - £122,000), depreciation of £17,000 (2002 - £nil) and other operating charges of £165,000 (2002 - £452,000).

Operating profit is stated after charging/(crediting):		Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Loss on sale of fixed assets		121	127
Audit fees	- PricewaterhouseCoopers	306	283
	- Other firms	33	33
Non-audit fees	- PricewaterhouseCoopers	222	187
	- Other firms	43	26
Operating lease rentals	- Hire of plant & machinery	337	443
	- Property	9,101	8,860
Rental income		(677)	(658)

Analysis of PricewaterhouseCoopers' non-audit fees:	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Audit-related regulatory reporting	44	46
Further assurance services	28	14
Tax compliance	84	82
Tax advisory	66	45
	222	187

Auditors' remuneration for the audit of the Company amounts to £53,000 (2002 - £48,000).

NOTES TO THE ACCOUNTS

year ended 31 December 2003

4. Share of operating loss of associated undertakings	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Share of operating loss from interest in associated undertakings	(193)	(1,278)
Goodwill amortisation on investment in associated undertakings	(180)	(245)
Impairment of goodwill in Trammell Crow Savills Limited	(1,186)	(2,405)
	(1,559)	(3,928)

5. Profit & loss account of the Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these Accounts. The profit after taxation of the Company for the year was £6,786,000 (2002 - £9,461,000).

6. Staff & Directors (a) Analysis of staff costs	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Basic salaries & wages	92,320	92,894
Incentive bonuses & commissions	54,452	53,544
	146,772	146,438
Social security costs	11,053	10,082
Other pension costs	6,083	5,409
	163,908	161,929

(b) Staff numbers The average number of employees (including directors) during the year was:	Year to 31 December 2003 No.	Year to 31 December 2002 No.
UK	1,750	1,725
Rest of Europe	109	99
Asia	9,665	9,776
	11,524	11,600

The average number of UK employees (including directors) during the year included 206 employed under fixed-term and temporary contracts (2002 - 208).

(c) Directors' emoluments

A breakdown of current Directors' emoluments, including those of the highest paid Director, is shown in the Remuneration Report on pages 32 to 38.

The aggregate emoluments in connection with the management of the Group's affairs (together with pension contributions) of the Directors were:

	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Executive Directors:		
Remuneration excluding bonuses	640	793
Bonuses	2,082	1,836
Fees to Non-Executive Directors	204	183
	2,926	2,812
Pension contributions	1,470	992
Total emoluments	4,396	3,804

During the year five Directors made gains totalling £308,102 on the exercise of options under the ESOP and the Sharesave Option Schemes (2002 - £101,420).

The pension annuity accrued for the highest paid Director was £14,520, with no lump sum accrued (2002 - £13,104 with no lump sum accrued).

NOTES TO THE ACCOUNTS

year ended 31 December 2003

6. Staff & Directors (continued)
(d) Directors' interests

Interests in the share capital of the Company beneficially held by members of the Board of Directors or their families at 31 December 2003 are detailed below:

Ordinary shares	31 December 2003	31 December 2002*
Aubrey Adams	270,535	250,000
William Concannon	-	-
Jeremy Helsby	206,802	190,628
Simon Hope	15,000	55,000
Timothy Ingram	12,000	12,000
Richard Jewson	20,000	20,000
Derek McClain	-	-
Robert McKellar	40,000	40,000
Charles McVeigh	-	-
Rupert Sebag-Montefiore	95,786	95,786
Fields Wicker-Miurin	680	-
David Wong	-	-

* or date of appointment, if later.

No members of the Board of Directors or their families held any non-beneficial interests in the share capital of the Company at 31 December 2003 (2002 - nil). Details of Directors' share options are given in the Remuneration Report on pages 32 to 38.

At the date of approval of the Accounts, the Company has not been notified of any changes since 31 December 2003 in the interests detailed above.

7. Pension scheme

(a) The Group operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Group, being invested in managed fund units. The contributions are determined by an independent qualified actuary on the basis of triennial valuations.

The most recent actuarial valuation completed, using the projected unit method, was as at 5 April 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (7.0%), the rates of increase in salaries (5.0%) and pensions (3.0%) and the assumed dividend yield (2.75%). The valuation showed that the market value of the scheme's assets was £28,875,648 and that the actuarial value of those assets represented 75% of the benefits that had accrued to members, after allowing for expected future increases in earnings. On 2 January 2001, the Group's contribution increased from 9% to 13.5%, on 1 October 2001 the Group contributions increased to 15% and on 1 January 2004 the Group contribution increased to 18%. Employee contributions are 5% but with effect from 1 April 2004 this will increase to 7%. The scheme has been closed to new joiners for pension benefits since 1 April 2000. The total pension charge in respect of the scheme was £3,185,000 (2002 - £2,814,000).

The Company also 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 £2,898,000 (2002- £2,595,000).

The total pension charge for the year was £6,083,000 (2002 - £5,409,000).

(b) Additional disclosure requirements in accordance with FRS17: The Pension and Life Assurance Plan of Savills is a defined benefit arrangement. The last full funding valuation was carried out as at 5 April 2001. A qualified independent actuary updated the results of that valuation to 31 December 2003 to obtain the figures in this disclosure note.

The major assumptions used were:

		31 December 2003	31 December 2002	31 December 2001
Rate of increase in salaries		4.25%	3.75%	4.00%
Rate of increase to pensions in payment	- accrued before 6 April 1997	3.00%	3.00%	3.00%
	- accrued after 5 April 1997	2.75%	2.25%	2.50%
Rate of increase to pensions in deferment	- accrued before 6 April 2001	5.00%	5.00%	5.00%
	- accrued after 5 April 2001	2.75%	2.25%	2.50%
Discount rate		5.50%	5.50%	5.75%
Inflation assumption		2.75%	2.25%	2.50%

NOTES TO THE ACCOUNTS

year ended 31 December 2003

7. Pension scheme (continued)

The assets in the scheme & the expected rates of return were:	Long-term rate of return expected at 31 December 2003	Value at 31 December 2003 £'000	Long-term rate of return expected at 31 December 2002	Value at 31 December 2002 £'000	Long-term rate of return expected at 31 December 2001	Value at 31 December 2001 £'000
Equities	8.00%	31,491	8.00%	21,990	7.50%	23,092
Bonds	5.00%	3,829	5.00%	4,868	5.50%	5,057
Other	5.50%	2,453	5.50%	1,710	5.50%	2,315
Total market value of assets		37,773		28,568		30,464
Present value of scheme liabilities		(63,301)		(53,870)		(46,912)
Deficit in the scheme		(25,528)		(25,302)		(16,448)
Related deferred tax asset		7,658		7,591		4,934
Net pension liability		(17,870)		(17,711)		(11,514)

Net assets	31 December 2003 £'000	31 December 2002 £'000
Net assets excluding pension liability	97,683	89,139
Pension liability	(17,870)	(17,711)
Net assets including pension liability	79,813	71,428

Reserves	31 December 2003 £'000	31 December 2002 £'000
Profit & loss account excluding pension liability	51,707	43,834
Pension liability	(17,870)	(17,711)
Profit & loss account	33,837	26,123

Analysis of amount charged to operating profit	31 December 2003 £'000	31 December 2002 £'000
Current service cost	2,394	2,541
Past service cost	42	-
Gains & losses on any settlements & curtailments	-	-
Total operating charge	2,436	2,541

Analysis of amount credited to other finance income	31 December 2003 £'000	31 December 2002 £'000
Expected return on pension scheme assets	2,229	2,257
Interest on pension scheme liabilities	(3,040)	(2,788)
Net return	(811)	(531)

Analysis of amount recognised in Statement of Total Recognised Gains & Losses (STRGL)	31 December 2003 £'000	31 December 2002 £'000
Actual return less expected return on pension scheme assets	3,378	(7,565)
Experience gains & losses arising on the scheme liabilities	658	717
Changes in financial assumptions underlying the scheme liabilities	(4,200)	(1,748)
Actuarial loss recognised in STRGL	(164)	(8,596)

7. Pension scheme (continued)

Movements in deficit during the year	31 December 2003 £'000	31 December 2002 £'000
Deficit in scheme at the beginning of the year	(25,302)	(16,448)
Movement in the year:		
Current service cost	(2,394)	(2,541)
Contributions	3,185	2,814
Past service costs	(42)	-
Other finance income	(811)	(531)
Actuarial loss	(164)	(8,596)
Deficit in scheme at the end of the year	(25,528)	(25,302)

The Group contributions during the accounting year amounted to £3,185,000 and the agreed current Company contribution rate from 1 January 2004 is 18% of pensionable salaries subject to review at the next actuarial valuation as at 5 April 2004. The company made an additonal contribution of 3% of pensionable salaries during 2003 (included in the above amount). Active members of the Scheme contribute at the rate of 5% of pensionable salaries, rising to 7% on 1 April 2004.

The scheme was closed to new entrants with effect from 1 April 2000. In accordance with FRS 17, the valuation of the schemes' liabilities has been determined using the projected unit method. In these circumstances the use of this method can lead to the contribution rate underlying the current service cost increasing in future years.

History of experience gains & losses	31 December 2003 £'000	31 December 2002 £'000
Difference between the expected & actual return on scheme assets:		
Amount (£'000)	3,378	(7,565)
Percentage of scheme assets	9%	26%
Experience gains & losses on scheme liabilities:		
Amount (£'000)	658	717
Percentage of the present value of the scheme liabilities	1%	1%
Total amount recognised in Statement of Recognised Gains & Losses:		
Amount (£'000)	(164)	(8,596)
Percentage of the present value of the scheme liabilities	0%	(16%)

8. Net interest	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Bank interest receivable	1,482	1,296
Other interest receivable & similar income	45	48
Group interest receivable	1,527	1,344
Associated undertakings' interest receivable	4	1
	1,531	1,345
Finance charges in respect of finance leases	(1)	(9)
Bank interest payable	(1,732)	(1,605)
Other	(2)	(19)
Group interest payable	(1,735)	(1,633)
Joint venture interest payable	(2)	(13)
Associated undertakings' interest payable	(11)	(112)
	(1,748)	(1,758)
	(217)	(413)

NOTES TO THE ACCOUNTS

year ended 31 December 2003

9. Tax on profit on ordinary activities Analysis of tax charge in year	Year to 31 December 2003 £'000	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000	Year to 31 December 2002 £'000
United Kingdom:				
Corporation tax at 30% (2002 - 30%)	9,963		8,086	
Adjustment in respect of previous years	912		(109)	
Share of joint ventures	12		(7)	
Share of associated undertakings	120		(599)	
		11,007		7,371
Foreign tax:				
Corporation taxes	2,592		3,043	
Adjustment in respect of previous years	(212)		(269)	
Share of joint ventures	10		(2)	
Share of associated undertakings	41		158	
		2,431		2,930
Total current tax		13,438		10,301
Deferred tax:				
Origination & reversal of timing differences		(1,029)		(186)
Representing:				
United Kingdom		(731)		(97)
Foreign tax		(298)		(89)
Total deferred tax		(1,029)		(186)
Tax on profit on ordinary activities		12,409		10,115

Included in the tax charge for the year was tax on the profit on sale of trading properties of £1,414,000 (2002 - £380,000).

9. Tax on profit on ordinary activities (continued)

	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
The tax for the year is higher (2002 - higher) than the standard rate of corporation tax in the UK (30%)		
The differences are explained below:		
Profit on ordinary activities before tax	35,264	20,381
Profit on ordinary activites multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	10,579	6,114
Effects of:		
Adjustments to tax in respect of prior year	700	(378)
Adjustments in respect of foreign tax rates	672	724
Expenses not deductible for tax purposes	1,639	3,819
Capital allowances in excess of depreciation	(152)	22
	13,438	10,301

	Group Year to 31 December 2003 £'000	Group Year to 31 December 2002 £'000	Company Year to 31 December 2003 £'000	Company Year to 31 December 2002 £'000
Deferred taxation asset				
Comprising:				
Accelerated capital allowances	267	437	297	283
Short term timing differences	1,879	593	-	-
Deferred tax asset	2,146	1,030	297	283
At 1 January 2003	1,030		283	
Amount credited to profit & loss	1,029		14	
Exchange rate fluctuations	87		-	
At 31 December 2003	2,146		297	

NOTES TO THE ACCOUNTS

year ended 31 December 2003

10. Dividends	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Ordinary interim dividend of 3.6p per share (2002 - 3.4p per share)	2,021	1,940
Ordinary proposed final dividend of 10p per share (2002 - 6.8p per share)	5,563	3,863
	7,584	5,803

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

11. Earnings per share

(a) Basic and diluted earnings per share

The earnings per share are based on the profit for the year and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 5,192,582 shares (2002 - 5,807,785 shares) and Quest, 184,569 shares (2002- 571,981 shares), which have waived dividends as detailed in Note 10. The earnings and the shares used in the calculations are as follows:

	Year to 31 Dec 2003 Earnings £'000	Year to 31 Dec 2003 Shares '000	Year to 31 Dec 2003 EPS Pence	Year to 31 Dec 2002 Earnings £'000	Year to 31 Dec 2002 Shares '000	Year to 31 Dec 2002 EPS Pence
Basic earnings per share	22,017	56,207	39.2	8,544	56,574	15.1
Effect of additional shares issuable under option	-	4,900	-	-	5,116	-
Diluted earnings per share	22,017	61,107	36.0	8,544	61,690	13.8

(b) Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill

	Year to 31 Dec 2003 Earnings £'000	Year to 31 Dec 2003 Shares '000	Year to 31 Dec 2003 EPS Pence	Year to 31 Dec 2002 Earnings £'000	Year to 31 Dec 2002 Shares '000	Year to 31 Dec 2002 EPS Pence
Basic earnings per share as above	22,017	56,207	39.2	8,544	56,574	15.1
Add back permanent diminution in value of investment property	-	-	-	4,332	-	7.7
Add back impairment of fixed assets	-	-	-	1,173	-	2.1
Add back impairment of goodwill in Trammell Crow Savills Limited	1,186	-	2.1	2,405	-	4.2
Amortisation of goodwill	2,483	-	4.4	2,127	-	3.8
Less sale of trading properties after tax	(3,300)	-	(5.9)	(886)	-	(1.6)
Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill	22,386	56,207	39.8	17,695	56,574	31.3

The Directors consider the disclosure of the supplementary earnings per share necessary in order for the effect of permanent diminutions in investment property, impairment of goodwill in Trammell Crow Savills Limited and amortisation of goodwill to be fully appreciated, as well as eliminating the sale of trading property results which are not always of a comparable nature.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

12. Intangible assets - Group		Goodwill £'000
Cost	At 1 January 2003	35,540
	Additions	7,226
	Transfer from associated undertakings (note 14a)	766
	Exchange movement	277
	At 31 December 2003	43,809
Provisions for amortisation	At 1 January 2003	5,425
	Charge for the year	2,303
	Transfer from associated undertakings (note 14a)	46
	Exchange movement	14
	At 31 December 2003	7,788
Net book value	At 31 December 2003	36,021
	At 1 January 2003	30,115

13. Tangible assets - Group		Assets under construction £'000	Investment property £'000	Freehold property £'000	Short leasehold property £'000	Equipment & motor vehicles Owned £'000	Equipment & motor vehicles Leased £'000	Total £'000
Cost or valuation	At 1 January 2003	-	9,520	429	6,261	31,656	240	48,106
	Additions	8,680	6,947	-	684	3,309	4	19,624
	Subsidiary acquired	-	-	-	-	84	-	84
	Disposals	-	(9,520)	-	(3)	(4,829)	(41)	(14,393)
	Exchange movement	-	-	(29)	(8)	(883)	(1)	(921)
	At 31 December 2003	8,680	6,947	400	6,934	29,337	202	52,500
Depreciation	At 1 January 2003	-	-	19	3,296	23,020	31	26,366
	Charge for the year	-	-	9	694	4,184	36	4,923
	Disposals	-	-	-	(3)	(4,598)	(22)	(4,623)
	Exchange movement	-	-	(1)	-	(927)	-	(928)
	At 31 December 2003	-	-	27	3,987	21,679	45	25,738
Net book value	At 31 December 2003	8,680	6,947	373	2,947	7,658	157	26,762
	At 1 January 2003	-	9,520	410	2,965	8,636	209	21,740

The Directors believe the market value of the investment property to be a value of £6.9m, reflecting pricing levels in the retail investment market.

The asset under construction relates to land purchased for development into an out of town retail outlet.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

13. Tangible assets (continued) Company		Freehold property owned £'000	Equipment & motor vehicles £'000	Total £'000
Cost	At 1 January 2003	141	4,642	4,783
	Additions	-	1,221	1,221
	At 31 December 2003	141	5,863	6,004
Depreciation	At 1 January 2003	9	3,545	3,554
	Charge for the year	3	860	863
	At 31 December 2003	12	4,405	4,417
Net book value	At 31 December 2003	129	1,458	1,587
	At 1 January 2003	132	1,097	1,229

14. Investments		Joint ventures			Associated undertakings			
(a) Group - Investments in joint ventures & associated undertakings		Investment £'000	Loans £'000	Total £'000	Investment £'000	Goodwill £'000	Loans £'000	Total £'000
Cost	At 1 January 2003	571	158	729	5,022	4,450	111	9,583
	Acquisitions	9	-	9	-	-	-	-
	Additions	-	77	77	-	-	-	-
	Reclassifications	(18)	18	-	(218)	-	218	-
	Transfer to subsidiary undertaking	-	-	-	(12)	(766)	-	(778)
	Write offs	(227)	-	(227)	(423)	-	-	(423)
	Impairment	-	-	-	(4,127)	(3,863)	-	(7,990)
	Repayment of loans	-	-	-	-	-	(143)	(143)
	Exchange movement	(41)	2	(39)	(236)	179	(7)	(64)
	At 31 December 2003	294	255	549	6	-	179	185
Share of retained (loss)/profit								
	At 1 January 2003	(187)	-	(187)	(2,473)	(2,863)	-	(5,336)
	Group's share of retained profit/ (loss)	6	-	6	(362)	-	-	(362)
	Amortisation	-	-	-	-	(180)	-	(180)
	Dividends received	(36)	-	(36)	(472)	-	-	(472)
	Transfer to debtors	-	-	-	(704)	-	-	(704)
	Transfer to subsidiary undertaking	-	-	-	-	46	-	46
	Write offs	208	-	208	327	-	-	327
	Impairment	-	-	-	3,854	2,950	-	6,804
	Exchange movement	-	-	-	(75)	47	-	(28)
	At 31 December 2003	(9)	-	(9)	95	-	-	95
Total	At 31 December 2003	285	255	540	101	-	179	280
	At 1 January 2003	384	158	542	2,549	1,587	111	4,247

14. Investments (continued)

(b) Other investments

		Investment in own shares Company & Group £'000	Other unlisted investments Group £'000	Total Group £'000
Cost	At 1 January 2003	6,273	2,965	9,238
	Additions	831	-	831
	Subsidiary acquired	-	6	6
	Repayment of loans	-	(2)	(2)
	Disposals on exercise of options	(1,640)	-	(1,640)
	Write off investment loan	-	(353)	(353)
	At 31 December 2003	5,464	2,616	8,080
Provisions	At 1 January 2003	4,747	1,189	5,936
	Charge for the year	951	-	951
	Disposals on exercise of options	(1,640)	-	(1,640)
	At 31 December 2003	4,058	1,189	5,247
Net book value	At 31 December 2003	1,406	1,427	2,833
	At 1 January 2003	1,526	1,776	3,302

Other Group investments comprise loans of £50,000 (2002 - £403,000) and other unlisted investments of £1,377,000 (2002 - £1,373,000).

During the year, the EBT purchased 375,000 shares of the Company with a nominal value of £18,750. As at 31 December 2003, the EBT held 5,192,852 shares in the Company with a nominal value of £259,643 and a market value of £17,266,232 (2002 - 5,807,785 shares with nominal value of £290,389 and market value of £8,159,938). The maximum number of shares held by the EBT during the year was 5,807,785 (2002 - 6,007,785). As detailed in Note 10, the Trustee has waived all but 0.01p of any dividend on each share held by the Trust.

At 31 December 2003, Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust (QUEST), held 184,569 shares in the Company with a nominal value of £9,228 and a market value of £613,692 (2002 - 571,981 shares with a nominal value of £28,599 and a market value of £803,633). The maximum number of shares held by the trustee of the QUEST during the year was 571,981 (2002 - 683,511). As detailed in Note 10, Savills QUEST Trustees Limited has waived all dividends on the shares it holds.

The provision against the investment in own shares included above represents the costs of shares in the EBT which have been allocated to employees pursuant to awards granted in line with the Group's accounting policies.

The Group holds 30% of the ordinary share capital of Ray Gasson & Associates Limited, whose principal activity relates to farm management and 25% of the ordinary share capital of Healthcare Development Services Limited, whose principal activity relates to the development of nursing homes. The Group also holds a 14.76% interest in Fastcrop plc, which provides the residential property website Primelocation.com. The Group does not exert a significant influence over these businesses, and therefore does not equity account for these investments. These companies are registered in England and Wales and operate in the UK. These shareholdings are treated as trade investments.

During the year the Group sold shares held in The London Stock Exchange for a consideration of £521,000; these shares were carried at nil cost.

(c) Company - summary

	31 December 2003 £'000	31 December 2002 £'000
Own shares (see Note 14(b))	1,406	1,526
Investments in subsidiaries, joint ventures & associated undertakings (see Note 14(d))	71,838	69,680
	73,244	71,206

(d) Company - Investments in subsidiaries & associated undertakings

		Shares in Group undertakings £'000	Loans to Group undertakings £'000	Interests in associated undertakings £'000	Loans to associated undertakings £'000	Total £'000
Cost	At 1 January 2003	17,393	45,569	6,668	50	69,680
	Additions	-	23,701	-	-	23,701
	Repayment	-	(14,825)	-	(50)	(14,875)
	Impairment	-	-	(6,668)	-	(6,668)
	At 31 December 2003	17,393	54,445	-	-	71,838

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year ended 31 December 2003

(d) Investments in subsidiaries, joint ventures & associated undertakings (continued)

The principal subsidiaries, joint ventures and associated undertakings of the Company which in the Directors opinion principally affect the figures shown in the financial statements and a summary of their principal activities are shown below. Except where otherwise noted, they are wholly owned, have share capitals wholly comprised of ordinary shares, are registered in England and Wales, operate in the UK and are consolidated into the Group Accounts. A full list of the Group's subsidiaries, joint ventures and associated undertakings is available from the registered office of Savills plc.

Subsidiary undertakings	Holding	Principal Activities
Adventis Group PLC*	71.9%	Provision of marketing & media services.
Aubourn Limited*	85%	Provision of farm management, consultancy & agronomy services.
FPDSavills (Australia) Pty Limited* (registered in Australia)	91%	Holding company for the Australian agency, property & facility management businesses.
FPDSavills Commercial Limited		Commercial surveyors.
First Pacific Davies China Limited* (registered in Hong Kong)		Holding company for the agency & property management businesses in China.
FPDSavills Guardian Holdings Limited* (registered in Hong Kong)		Holding company for the Asian property & facilities management group.
FPD Savills Espana SA* (registered in Spain)		Property consultant.
FPD Savills GmbH* (registered in Germany)		Property consultant.
FPDSavills Hong Kong Limited* (registered in Hong Kong)		Mixed practice agency, valuation & research.
FPD Savills Immobilien Beteiligungs-GmbH* (registered in Germany)		Property consultant.
FPDSavills Limited		General practice surveyors.
FPDSavills Property Management Limited* (registered in Hong Kong)		Property management.
FPD Savills SA* (registered in France)		Property consultant.
FPD Savills Italy SRL* (registered in Italy)	64%	Property consultant.
Grosvenor Hill Ventures Limited*		Provision of property funding and holding company for principal trading subsidiaries & joint arrangements.
Prime Purchase Limited*		Property buying company.
Savills Investment Management Limited*		Asset manager (regulated by FSA).
Savills Private Finance Limited*		Provision of general insurance, commercial broking, mortgage broking & personal financial planning services (regulated by FSA).
Savills Investments Limited*		Provision of fund management.
FPDSavills Nederland BV* (registered in the Netherlands)	61%	Property consultant.
GHV (Redditch) Limited*		Procuring, letting and sale of properties.
GHV (Northwich) Limited*		Procuring, letting and sale of properties.
GHV (LLantrisant) Limited*		Procuring, letting and sale of properties.
S.I.S No 1 LP*		Real estate fund management.
Joint ventures & joint arrangements		
Managed Office Solutions (GHV) Limited*	50%	Procuring & facilitating, letting of managed office space.
Grosvenor Hill (Sprucefields) Limited*	50%	Procuring, letting and sale of properties.
GHV SMD Holdings Limited*	50%	Procuring, letting and sale of properties.
Infinergy Limited*	50%	Provision of renewable energy.

**Shares/interests held indirectly by the Company*

NOTES TO THE ACCOUNTS

year ended 31 December 2003

14. Investments (continued)
(e) Acquisitions of subsidiaries

Subsidiaries acquired		Fair value to Group FPDSavills Nederland BV £'000
Tangible fixed assets		84
Investments		6
Current assets:	Debtors	405
	Cash	306
Total assets		801
Creditors due within one year:	Other creditors	(717)
	Provisions for liabilities & charges	(53)
Net assets		31
Less minority share of net assets		(12)
Fair value of net assets at acquisition		19
Less fair value of existing share of net assets		(12)
Fair value of net assets acquired		7
Goodwill		536
Purchase consideration & costs		543
Analysis of purchase consideration & costs		
Purchase consideration		528
Acquisition costs		15
		543

For all acquisitions there was no difference between the fair value and book value of net assets acquired. The additions have been accounted for using the acquisition accounting method.

The Group acquires businesses intended for use on a continuing basis. The amortisation period used for writing off goodwill arising on the acquisition above is 20 years. This is in line with the Group goodwill accounting policy.

- On 11 September 2003, the Group acquired a further 21% interest in its associate, FPDSavills Nederland BV, for cash consideration of £543,000. This acquisition took the Group's holding to 61%. The company has therefore been consolidated for the first time. The goodwill on acquisition of £536,000 has been capitalised in goodwill. Included within the total goodwill is existing goodwill at cost of £766,000 and accumulated amortisation of £46,000, which has been transferred from investments in associated undertakings (see note 12).

- On 31 March 2003, FPDSavills International BV increased its shareholding in FPDSavills (Australia) Pty Ltd to 6,029,656 shares for a total consideration of £1,806,000 taking the total shareholding from 78.5% to 91%. Goodwill on acquisition of £1,395,000 has been capitalised in goodwill.

- In September 2003, the Group bought the remaining 47.2% minority shareholding of FPDSavills Immobilien Beteiligungs-GmbH. The total consideration was £5,899,000 and goodwill arising on acquisition of £5,155,000 has been capitalised in goodwill. A further £1.5m of deferred contingent consideration is potentially payable in September 2005. This has not been recognised at 31 December 2003.

- Further legal costs were incurred in respect of FPDSavills Italy SRL when part of the business was transferred to employees of the business. The total cost of £96,000 has been capitalised in goodwill.

- FPDSavills Limited acquired the Norwich business of Smith Woolley at a total cost of £163,000, all of which has been capitalised in goodwill.

- Goodwill was reduced by £119,000 in relation to the acquisition of Clegg Kennedy Drew in 2000, as the deferred consideration on the acquisition is no longer payable.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

15. Debtors	Group 31 December 2003 £'000	Group 31 December 2002 £'000	Company 31 December 2003 £'000	Company 31 December 2002 £'000
Trade debtors	56,670	49,516	794	177
Amounts owed by subsidiary undertakings	-	-	2,290	3,728
Other debtors	10,048	7,183	294	74
Taxation	-	-	1,556	589
Deferred taxation	2,146	1,030	297	283
Prepayments & accrued income	13,210	13,903	609	291
	82,074	71,632	5,840	5,142

Included within trade debtors is an amount of £89,000 due after one year (2002 - £203,000) and within other debtors an amount of £267,000 due after one year (2002 - £26,000).

16. Creditors - amounts falling due within one year	Group 31 December 2003 £'000	Group 31 December 2002 £'000	Company 31 December 2003 £'000	Company 31 December 2002 £'000
Bank loans & overdrafts	3,319	877	6,107	-
Loan notes	100	170	-	-
Obligations due under finance leases	13	28	-	-
Trade creditors	13,427	13,997	693	1,653
Amounts owed to subsidiary undertakings	-	-	30,025	24,064
Corporation tax	5,916	4.435	-	-
Other taxation & social security	8,845	6,694	86	-
Other creditors	2,452	1,263	2,424	1,374
Accruals & deferred income	63,891	63,505	2,705	2,005
Dividends payable	5,790	4,842	5,605	3,863
	103,753	95,811	47,645	32,959

(a) Accruals and deferred income includes bonus payments in respect of the year ended 31 December 2003, payable after the year end.

(b) At 31 December 2003, £320,000 of the £490,000 3.5% Guaranteed Unsecured Loan Notes 2002 which were issued by a subsidiary undertaking as part consideration for the acquisition of the business and assets of Hutton Simpson Limited were still in issue. These are repayable over three years and interest is payable half yearly.

17. Creditors - amounts falling due after more than one year	Group 31 December 2003 £'000	Group 31 December 2002 £'000	Company 31 December 2003 £'000	Company 31 December 2002 £'000
Bank loans	18,961	21,143	-	-
Loan notes	220	320	-	-
Obligations under finance leases	36	55	-	-
Amounts owed to subsidiary undertakings	-	-	2,500	-
Other creditors	304	359	-	-
	19,521	21,877	2,500	-

(a) Included within other creditors is an amount of £243,000, repayable by instalments at £50,000 per annum. Interest is chargeable on a quarterly rate at 5% per annum.

(b) The Group has granted fixed charges on the properties held for sale and investment property. The Group has loans outstanding as at 31 December 2003 amounting to £17.4m (2002 - £18.4m).

18. Financial instruments

(a) Interest rate risk profile of financial liabilities

The Group's financial liabilities comprise bank loans and overdrafts, loan notes, finance leases and other long term creditors.
The interest rate profile of the financial liabilities of the Group as at 31 December 2003, after taking into account interest rate swaps used to manage the interest profile, was:

	31 December 2003				31 December 2002			
	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Sterling	12,903	5,043	-	17,946	2,131	17,457	-	19,588
Hong Kong dollar	1,372	-	1,532	2,904	26	-	1,771	1,797
Singapore dollar	23	-	-	23	30	-	-	30
Thailand baht	26	-	-	26	32	-	-	32
Australian dollar	-	3,039	2,499	5,538	-	3,260	2,369	5,629
Euro	108	439	44	591	-	-	-	-
Philippines peso	-	-	-	-	-	-	42	42
	14,432	8,521	4,075	27,028	2,219	20,717	4,182	27,118

The effect of the Group's interest rate swap is to classify £4.2m of sterling borrowings in the above table to a fixed rate. The swap matures in February 2008 and its fair value is not materially different to its book value as at 31 December 2003.
Effective 10 January 2004, the Group swapped £6.2m from a floating rate facility to a fixed rate facility.

	31 December 2003			31 December 2002		
	Fixed rate financial liabilities weighted average interest rate %	Weighted average period for which rate is fixed years	Weighted average period on which no interest is paid years	Fixed rate financial liabilities weighted average interest rate %	Weighted average period for which rate is fixed years	Weighted average period on which no interest is paid years
Sterling	5.1	12	-	5.8	2	-
Hong Kong dollar	-	-	4	-	-	4
Australian dollar	6.4	7	4	6.5	5	4
Philippines peso	-	-	-	-	-	2
Euro	3.3	-	1	-	-	-

The floating rate financial liabilities comprise predominantly sterling denominated bank borrowings that bear interest at rates linked to LIBOR. The Group had no interest caps at 31 December 2003 (2002 - nil).

18. Financial instruments (continued)

(b) Interest risk profile of financial assets

The financial assets of the Group comprise cash at bank and on money markets on call, other unlisted investments and debtors greater than one year.

	31 December 2003				31 December 2002			
Currency	Fixed £'000	Floating £'000	Non-interest bearing £'000	Total £'000	Fixed £'000	Floating £'000	Non-interest bearing £'000	Total £'000
Sterling	18,000	34,467	1,427	53,894	-	28,773	1,776	30,549
Euro	-	4,075	-	4,075	-	4,708	-	4,708
Hong Kong dollar	2,923	9,041	-	11,964	10,420	6,631	-	17,051
Singapore dollar	-	108	-	108	-	96	-	96
Philippines peso	-	-	-	-	77	7	-	84
Thailand baht	71	73	-	144	72	33	-	105
Australian dollar	246	1,069	-	1,315	315	988	-	1,303
Chinese renminbi	611	653	-	1,264	301	1,243	-	1,544
US Dollar	554	333	-	887	-	-	-	-
	22,405	49,819	1,427	73,651	11,185	42,479	1,776	55,440

The floating interest rates of the cash balances included in the table above are based on the relevant bank base rates.

(c) Currency risk

The Group's approach is explained as part of the Financial Review on pages 22 and 23. The Group does not actively seek to hedge risks arising from foreign currency transactions. Gains and losses from currency movements in net assets of subsidiary undertakings are recognised in the Statement of Recognised Gains and Losses. All financial assets and liabilities are denominated in the functional currencies of the operations involved with the exception of a £2.5m sterling loan from FPD Savills Asia Limited (which has a functional currency of Hong Kong Dollars) to the Company.

(d) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2003 was as follows:	31 December 2003 £'000	31 December 2002 £'000
In one year or less, or on demand	5,142	1,969
In more than one year but not more than two years	2,205	14,596
In more than two years but not more than five years	4,350	10,446
In more than five years	15,331	107
	27,028	27,118

(e) Borrowing facilities

The Group had undrawn committed borrowing facilities available at 31 December 2003 in respect of which all conditions precedent had been met as follows:

	31 December 2003 £'000	31 December 2002 £'000
In one year or less, or on demand	18,963	18,596
In more than two years but not more than five years	-	125
	18,963	18,721

(f) Fair value

Carrying values of all financial assets and liabilities are not materially different from their fair values.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

19. Provisions for liabilities & charges Group	Claims £'000	Holiday & long service £'000	Other £'000	Total £'000
At 1 January 2003	1,036	4,182	360	5,578
Transfer from accruals	125	-	3,892	4,017
Provided during the year	1,719	1,278	-	2,997
Utilised during the year	(991)	(1,713)	-	(2,704)
Aquisitions	-	53	-	53
Exchange movements	90	275	-	365
At 31 December 2003	1,979	4,075	4,252	10,306

Claims include professional indemnity insurance provisions and SURMIA as detailed in Note 23. The holiday and long service provision relates to companies in Hong Kong, Australia and the Netherlands and are expected to crystallise within four to five years of the balance sheet date. Other provisions include amounts for the employee related obligations expected to crystallise within five years.

20. Share capital - Group & Company	31 December 2003 No. shares	31 December 2002 No. shares	31 December 2003 £'000	31 December 2002 £'000
Ordinary shares of 5p each:				
Authorised	101,000,000	101,000,000	5,050	5,050
Allotted, called up & fully paid	61,396,903	63,179,932	3,070	3,159

During the year, within the 5% limit authorised by shareholders at the 2003 Annual General Meeting, the Company bought back 3.5% of its alloted share capital in order to improve the efficiency of the Group's capital structure. This amounted to 2,130,000 shares at an average price of 198.1p each (excluding expenses) at a total cost of £4,256,000. The nominal value of the shares purchased (£107,000) has been credited to the capital redemption reserve (see note 21).

Movement in allotted, called up & fully paid share capital

	No. shares	£'000
At 1 January 2003	63,179,932	3,159
Allotted to employees under the Savills plc United Kingdom Executive Share Option Scheme	28,000	2
Allotted direct to participants on exercise of options under the Savills Sharesave Scheme	165,087	8
Allotted to Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust	153,884	8
Repurchased for cancellation	(2,130,000)	(107)
At 31 December 2003	61,396,903	3,070

(a) During the year 28,000 ordinary shares of 5p each (2002 - 88,530) were allotted to employees under the Savills plc United Kingdom Executive Share Option Scheme (the Scheme), for a total consideration of £17,600 (2002 - £36,857). The total aggregate nominal value was £1,400 (2002 - £4,427).

The following share options have been granted under the Scheme and were outstanding at 31 December 2003:

Exercise period	Exercise price	No. shares '000 31 December 2003	No.shares '000 31 December 2002
7 years from 13 August 1996	56p	-	20
7 years from 22 August 1997	80p	18	26
		18	46

NOTES TO THE ACCOUNTS

year ended 31 December 2003

20. Share capital - Group & Company (continued)

(b) The following share options have been granted with a nominal exercise price under the Savills plc 1992 Executive Share Option Scheme (the ESOP) & were outstanding at 31 December 2003:

Exercise period	No. shares '000 31 December 2003	No. shares '000 31 December 2002
2 years from 30 January 2001	-	20
2 years from 25 July 2001	-	110
2 years from 14 January 2003	110	495
2 years from 10 July 2003	170	630
2 years from 20 July 2004	814	827
2 years from 20 July 2005	1,003	1,032
2 years from 6 April 2006	860	908
	2,957	4,022

(c) The following share options have been granted under the Savills Executive Share Option Scheme (2001) & were outstanding at 31 December 2003:

Exercise period		Exercise price	No. shares '000 31 December 2003	No. shares '000 31 December 2002
7 years from 26 September 2004	Approved	144.5p	104	104
7 years from 26 September 2004	Unapproved	144.5p	206	206
7 years from 10 April 2005	Unapproved	194.5p	310	310
7 years from 25 March 2006	Unapproved	139p	310	-
			930	620

(d) During the year 165,087 shares (2002 - 60,494 shares) were allotted direct to participants and 541,296 shares (2002 - 206,611 shares) were transferred from the Qualifying Employee Share Trust on the exercise of options under the Savills Sharesave Scheme. The following table shows the options remaining outstanding as at 31 December 2003, 623,881 shares (2002 - 238,818 shares) having lapsed and 706,383 (2002 - 267,105 shares) having been exercised in accordance with the rules of the scheme for consideration of £725,223 (2002 - £260,665).

Date of grant	Exercise price	Options exercisable	No. shares '000 31 December 2003	No. shares '000 31 December 2002
8 October 1998	84p	01.12.01 - 01.06.06	470	1,032
5 August 1999	144p	01.10.02 - 01.04.07	150	332
11 August 2000	165p	01.10.03 - 01.04.08	125	392
21 June 2001	220p	01.08.04 - 01.02.05	54	85
4 October 2001	144p	01.12.04 - 01.06.05	298	556
20 May 2003	111p	01.07.06 - 01.01.07	766	-
			1,863	2,397

(e) During the year 153,884 shares (2002 - 95,081 shares) were allotted to Savills QUEST Trustees Limited, the trustee of the Qualifying Employee Share Trust. At 31 December 2003 the Trust held 184,569 shares (2002 - 571,981 shares) of Savills plc, 541,296 shares (2002 - 206,611 shares) having been transferred to participants on the exercise of options under the Savills Sharesave Scheme for consideration of £454,689 (2002 - £173,553).

(f) The following have been awarded under the Savills Deferred Share Bonus Plan (the DSBP) and remained outstanding at the year-end.

Date of award	Exercise price	Vesting date	No. shares '000 31 December 2003	No. shares '000 31 December 2002
22 March 2002	187.5p	22.03.07	810	835
14 March 2003	137.5p	14.03.08	651	-
			1,461	835

(g) At the Annual General Meeting held on 7 May 2003, the shareholders gave the Company authority, subject to stated conditions, to purchase for cancellation up to 3,141,557 of its own ordinary shares (AGM held on 30 April 2002 - 3,149,541). Such authority remained valid at 31 December 2003.

NOTES TO THE ACCOUNTS

year ended 31 December 2003

21. Reserves Group	Capital redemption reserve £'000	Share premium account £'000	Profit & loss account £'000
At 1 January 2003	-	41,512	43,834
New shares issued	-	725	-
Purchase of own shares	107	-	(4,256)
Profit transferred to reserves	-	-	14,433
Exchange movement	-	-	(2,304)
At 31 December 2003	107	42,237	51,707

The total cumulative goodwill relating to Group undertakings eliminated against reserves at 31 December 2003 amounted to £3,794,000 (2002 - £3,794,000).

Company	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit & loss account £'000
At 1 January 2003	41,512	-	3,009	22,102
New shares issued	725	-	-	-
Purchase of own shares	-	107	-	(4,256)
Exchange movement	-	-	-	33
Profit transferred to reserves	-	-	-	(798)
At 31 December 2003	42,237	107	3,009	17,081

22. Capital commitments - Group

Capital expenditure contracted at the year-end, which has not been provided for, amounted to £nil (2002 - £100,000).

23. Contingent liabilities

The Company is a participator in the Surveyors Mutual Insurance Association (SURMIA). SURMIA currently has a deficit between net assets and estimated liabilities in respect of notified potential claimants. Potential claimants have an extended period in which to make a claim, and additional liabilities may continue to emerge. In the event of any other members of SURMIA being unable to meet their cash calls, a share of the additional shortfall would revert to the Company.

As at 31 December 2003, the Company has made a provision of £31,000 (2002 - £31,000), being Savills' share of the potential deficit based on current notified claims as advised by the professional managers of SURMIA. It is not possible to estimate the extent of any additional future liabilities which may emerge.

There were outstanding Company guarantees in respect of financial obligations of subsidiary undertakings £2.3m (2002 - £1.9m) and associated undertakings £nil (2002 - £3.2m).

24. Operating lease commitments - Group	Property leases		Other leases		Total	
	31 December 2003 £'000	31 December 2002 £'000	**31 December 2003 £'000**	31 December 2002 £'000	**31 December 2003 £'000**	31 December 2002 £'000
Annual rentals payable on leases expiring:						
Within one year	**298**	924	**138**	241	**436**	1,165
In one to five years	**4,873**	5,059	**830**	516	**5,703**	5,575
After five years	**2,476**	2,595	**-**	36	**2,476**	2,631
	7,647	8,578	**968**	793	**8,615**	9,371

NOTES TO THE ACCOUNTS

year ended 31 December 2003

25. Finance leases - Group	At 31 December 2003 £'000	At 31 December 2002 £'000
Amounts payable under finance leases:		
Within one year	14	29
In one to five years	35	57
After five years	4	5
	53	91
Less: future finance charges	(4)	(8)
	49	83

26. Reconciliation of operating profit to net cash inflow from operating activities	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Operating profit	36,489	29,208
Depreciation charges	4,923	5,388
Impairment of tangible fixed assets	-	1,173
Amortisation of goodwill	2,303	1,882
Loss on sale of fixed assets	121	127
Decrease/(increase) in property held for sale	16,575	(2,890)
Increase in work in progress	(82)	(91)
Increase in debtors	(8,180)	(10,398)
Increase in creditors	2,726	17,574
Increase in provisions	4,269	2,651
Increase in provision for share options granted	951	1,159
Provision against fixed asset investments	468	489
Net cash inflow from operating activities	60,563	46,272

27. Reconciliation of net cash flow to net funds	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000
Increase in cash	10,448	10,106
Cash outflow from decrease in debt	787	7,607
Capital element of finance leases repaid	26	16
Increase in liquid resources	9,425	5,635
Loans disposed with subsidiaries	-	2,665
Loan notes issued on aquisition of subsidiary	-	(490)
Exchange movements	(2,205)	(1,493)
	18,481	24,046
Net funds at beginning of year	30,498	6,452
Net funds at end of year	48,979	30,498

NOTES TO THE ACCOUNTS

year ended 31 December 2003

28. Analysis of changes in net funds		At 1 January 2003 £'000	Cash flows £'000	Exchange movement £'000	At 31 December 2003 £'000
Cash at bank		31,543	10,555	(325)	**41,773**
Overdraft		(403)	(107)	2	**(508)**
			10,448		
Liquid funds on one month deposit		1,613	7,195	-	**8,808**
Liquid funds on short-term deposit		20,279	2,230	(1,219)	**21,290**
		53,032	19,873	(1,542)	**71,363**
Debt	- due within one year	(694)	(2,185)	(82)	**(2,961)**
	- due after one year	(21,757)	2,972	(589)	**(19,374)**
Finance leases		(83)	26	8	**(49)**
Net funds		30,498	20,686	(2,205)	**48,979**

29. Related party transactions

During the year loans were outstanding from the following related undertakings: Barlows (Sefton) Limited, GHV (Sprucefields) Limited and GHV SMD Holdings Limited. Interest was charged on such loans at arm's length rates. Interest received during the year totalled £64,000 (2002 - £144,000).

The movements on the aggregate loans to related undertakings were as follows:

	31 December 2003 £'000	31 December 2002 £'000
Balance at beginning of year	**4,454**	5,471
Additions	**394**	2,772
Repayments	**(1,509)**	(3,789)
Balance at end of year	**3,339**	4,454

Savills plc and its subsidiaries provide accounting and other administrative services to some associated companies at nominal fees.

30. Post Balance Sheet Events

Programme to re-purchase shares

At the Annual General Meeting (AGM) held on the 7 May 2003 the shareholders gave authority for a limited purchase of Savills shares for cancellation of up to 5% of the issued share capital. As announced on the 30 December 2003, the Company undertook an irrecovable, non-discretionary programme to re-purchase its own shares during the close period. As at 2 March 2004 the Company had purchased 100,000 shares for cancellation under this programme, during the close period.

FIVE YEAR REVIEW

year ended 31 December 2003

Profit & loss account	Year to 31 December 2003 £'000	Year to 31 December 2002 £'000	Restated Year to 31 December 2001* £'000	8 months to 31 December 2000 £'000	Year to 30 April 2000 £'000
Turnover - Group & share of joint ventures	303,002	282,776	239,919	162,067	142,587
Less: share of turnover of joint ventures	(1,310)	(442)	(4,483)	(5,377)	(651)
Total Group turnover	301,692	282,334	235,436	156,690	141,936
Group operating profit	36,489	29,208	18,238	13,470	18,868
Share of operating profit of joint ventures	30	9	708	851	4
Share of operating (loss)/profit of associated undertakings	(1,559)	(3,928)	(773)	516	568
(Loss)/profit on disposal of interests in subsidiary undertakings	-	(216)	435	793	22
Profit on disposal of interest in joint venture	-	-	1,052	-	-
Profit on disposal of interests in associated undertakings	-	53	2,455	1,350	-
Profit on disposal of property	-	-	121	-	-
Profit on disposal of investments	521	-	53	-	-
Permanent diminution in value of investment property	-	(4,332)	-	-	-
Net interest	(217)	(413)	(739)	448	714
Profit on ordinary activities before taxation	35,264	20,381	21,550	17,428	20,176
Tax on profit on ordinary activities	(12,409)	(10,115)	(6,881)	(5,941)	(6,166)
Profit on ordinary activities after taxation	22,855	10,266	14,669	11,487	14,010
Equity minority interests	(838)	(1,722)	(1,108)	(959)	(344)
Profit for the financial year	22,017	8,544	13,561	10,528	13,666
Basic earnings per share	39.2p	15.1p	24.2p	18.7p	27.8p
Dividends per share	13.6p	10.2p	9.75p	6.00p	7.50p
Balance sheet					
Fixed assets	66,436	59,946	69,788	73,412	61,671
Net current assets	61,074	56,648	43,618	27,960	29,364
Creditors - amounts falling due after more than one year	(19,521)	(21,877)	(22,568)	(21,759)	(19,104)
Provisions	(10,306)	(5,578)	(2,843)	(1,959)	(1,892)
	97,683	89,139	87,995	77,654	70,039
Employees					
Average number of employees	11,524	11,600	11,453	10,855	2,311

* Restated for FRS19. Earlier years have not been restated.

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