

**6 March 2001**

**STRONG PROFIT GROWTH FROM SAVILLS**

Savills plc, the London-headquartered associate of First Pacific, today announced preliminary results for the eight months ended 31 December 2000, the first results to reflect Savills plc's new financial year-end.

Further information on Savills plc can be found at [www.fpdsavills.co.uk](http://www.fpdsavills.co.uk), and the full text of Savills plc's announcement is attached.

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**FOR IMMEDIATE RELEASE**

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**STRONG PROFIT GROWTH FROM SAVILLS**

Savills plc, the international property adviser, today announced preliminary results for the eight months ended 31 December 2000, the first results to reflect the Company's new financial year-end. To help shareholders understand the progress made over the last year, pro forma figures have been prepared from management accounts for 12 month periods to December 2000 and December 1999.

- Group pre-tax profit £17.4m  
- pro forma pre tax profit up 26% to £25.9m (1999 - £20.6m).
- Group turnover £156.7m  
- pro forma turnover up 60% to £213.5m (1999 - £133.4m).
- Earnings before interest, tax, depreciation and amortisation (EBITDA) £20.9m  
- pro forma EBITDA up 34% to £30.5m (1999 - £22.7m).
- Basic earnings per share 18.7p  
- pro forma increase of 12% to 31.1p per share (1999 - 27.7p).
- Final dividend of 6.0p per share representing a 20% pro rata increase over the total dividend of 7.5p for the twelve months ended 30 April 2000.

**Richard Jewson, Chairman of Savills plc, commented:**

"These are an excellent set of figures, particularly in the last two months of the period. They reflect a very strong performance from all three of our traditional businesses, transactional, consultancy and property management. We are pleased with the progress we have made in developing our facilities management and financial services businesses which will provide more stable long-term earnings and complement our traditional businesses.

"We are confident that the prospects for the property industry and the markets in which we operate are generally good. In the UK, tenant demand remains strong, the investment sector is helped by falling interest rates and the residential market appears set to continue to perform well. In the rest of Europe, markets should benefit from continuing economic growth. In Asia Pacific the market outlook remains positive with the economic recovery in many Asian countries gaining momentum.

"These results demonstrate that we have laid the foundation for Savills, together with our US affiliate Trammell Crow Company, to be the leading international provider of property services."

\*\*\* Chairman's Statement, Group Chief Executive's Review of Operations,  
Financial Review & Preliminary Announcement of Results follow\*\*\*

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## **CHAIRMAN'S STATEMENT**

### **RESULTS**

These are the first set of figures for an accounting period reflecting our new 31 December year-end and, as such, are for an eight-month accounting period. To a large extent they reflect the interim figures for the six months to 31 October 2000 which were announced on 19 December 2000. To help shareholders understand the progress we have made over the last year, we have prepared from our management accounts pro forma figures for 12 month periods to December 2000 and December 1999.

Headline figures for the period were encouraging. In the eight-month period to 31 December 2000 Group turnover amounted to £156.7m, generating operating profit of £13.5m, pre-tax profits of £17.4m and earnings per share of 18.7p. Cash balances were £29.7m; debt of £11.2m relates to properties held for resale.

Pro forma figures for the 12 months to 31 December 2000 were: turnover of £213.5m (1999 - £133.4m); operating profit of £21.5m (1999 - £19.6m); pre-tax profit of £25.9m (1999 - £20.6m); and earnings per share of 31.1p (1999 - 27.7p).

### **DIVIDEND**

As indicated in the interim announcement, the Directors are recommending a dividend for the eight-month period of 6.0p. On a pro rata basis, this represents a 20% increase over the total dividend of 7.5p for the year ended 30 April 2000. This increase reflects both our confidence in the outlook for the current year and our stated commitment to pursuing a progressive dividend policy to ensure that shareholders are able to benefit from the Company's financial success.

### **HIGHLIGHTS**

The year 2000 has been one of the most important years in the development of Group strategy, during which we have laid the foundation for Savills, together with our US affiliate Trammell Crow Company, to be the leading provider of property services. Particular achievements were:

- In April we acquired the Hong Kong based First Pacific Davies Limited, now called FPD Savills Asia Pacific Limited, from First Pacific Company. We are very pleased with the performance of the Asia Pacific business to date and believe that there are significant growth prospects in the region.
- In June we formed a strategic alliance with Trammell Crow Company, the premier real estate advisory business in the US. We are delighted with the way that the relationship is developing and there are already significant new business opportunities that have arisen for both companies. In particular our joint venture, Trammell Crow Savills, which provides facilities management services, has the scope to grow rapidly and become a significant profit contributor in the future.

Both of these major strategic moves are fundamental to the continuing development of our international business. Under the terms of the strategic alliance, Trammell Crow Company acquired 6.25m Savills shares (representing 10% of the issued share capital) from First Pacific Company and has an option, exercisable from 2003, to increase this holding up to 20%. First Pacific Company has been a shareholder since 1997 and, following the sale to Trammell Crow Company, has recently indicated that it intends to sell its remaining 19.6% shareholding in order to concentrate on its core businesses in Asia Pacific.

Our UK business has performed well in the period and we continue to look for opportunities to grow it through acquisition and recruitment; the total number of staff in the UK has grown 24% to 1,876 over the period. At the same time we see tremendous potential in the rest of the EU and a strong profit performance in 2000 lays the basis for expanding from a position of strength.

Within the Savills Finance Holdings sub group Savills Financial Services (which incorporates Savills Private Finance and the NetMortgage businesses) is growing rapidly and we are looking at a number of options to allow this business to reach its full potential as quickly as possible.

Much has been talked about the impact of the Internet on various sectors of business and the property industry is no exception. We continue to make substantial investments in our information technology systems including our website and web enabled business systems. We are the largest shareholders in Primelocation.com, the leading platform for residential property e-commerce.

#### **BOARD AND STAFF**

With the reshaping of the business the Board of Savills plc has changed to reflect the natural succession planning and requirements of the Group in the future. Jeremy Helsby took over from Justin Roberts as Chairman of FPD Savills Commercial Limited with effect from 1 January 2001. Justin Roberts has made a significant contribution to the development of our Commercial business over the last five years and I am delighted that he will remain with us to focus on investment and property management. As reported last July, Rupert Sebag-Montefiore took over from Geoffrey van Cutsem as Managing Director of FPD Savills Limited; Geoffrey remains with us in an executive capacity. Together with the appointment of Robert McKellar during the period as Finance Director we have an exceptionally strong and experienced senior management team who will drive the business forward in the future.

Victoria Mitchell stood down from the Board on 31 December 2000 at her own request but happily remains with the Group as a consultant. She has made a tremendous contribution in her 13 years on the Board.

On 1 August 2000, we were delighted to welcome Charles McVeigh to the Board as an independent Non-Executive Director. Charles is co-Chairman of Schroder Salomon Smith Barney Europe and brings an invaluable global perspective to our business. E Stevenson Belcher has replaced H Pryor Blackwell as one of the Directors nominated by Trammell Crow Company where he has also recently assumed overall responsibility for international business development. He will be working closely with our senior directors here and this is a clear demonstration of the commitment Trammell Crow Company has to our strategic alliance.

As ever our key strength is our staff and their hard work and talent are the reason for the excellent results that we have just reported. I am delighted that they have been able to share again in this success through our reward system.

#### **OUTLOOK**

We are confident that the prospects for the property industry and the markets in which we operate are generally good. In the UK, tenant demand remains strong, the investment sector is helped by falling interest rates and the residential market appears set to continue to perform well. In the rest of Europe, markets should benefit from continuing economic growth. In Asia Pacific the market outlook remains positive with the economic recovery in many Asian countries gaining momentum.

**Richard Jewson, Chairman**

## **GROUP CHIEF EXECUTIVE'S REVIEW OF OPERATIONS**

As mentioned in the Chairman's Statement, the year 2000 has been an eventful year for the Savills Group and the eight-month period to 31 December 2000 saw significant development in the geographic spread of our business along six increasingly distinct business lines.

The proportion of our business which is outside the UK is now 40% and we are therefore less exposed to individual regional economies. The nature of our business is also changing and to give a clearer understanding of this we are now reporting revenue according to six main business streams which are set out below. These six business streams are relatively distinct although there is clearly considerable cross fertilisation between them. In order to encourage this we continue to manage our transactional advice, consultancy and property management businesses on a regional basis. This also allows us to maintain strong financial control which has always been a feature of the Savills Group.

### **TRANSACTIONAL ADVICE**

The Transactional Advice business stream comprises commercial, residential and agricultural agency and investment advised on purchases and sales and represents 45% of our total turnover. During the eight months turnover was £70m, generating profit before interest and tax of £11.8m. Whilst this business is to a large extent contingent on the successful completion of a transaction (and therefore potentially more uncertain than consultancy) a large proportion of the revenue is repeat business from long standing corporate and institutional clients. It is accordingly generally recurrent in its nature and, given the broad spread of services and the geographical diversity of the Group, the exposure to any one transaction or client is small. Profit margins on this type of business are typically higher than pure consultancy or advisory work.

#### **Commercial Agency**

The Group's Commercial Agency teams produced record results for the period and the strong performance from the offices in mainland Europe was particularly encouraging.

In the UK, the West End offices recorded a sharp increase in turnover over the previous 12 months and were involved in transactions totalling over 430,000 sq ft of accommodation, representing a significant market share of the 4.13m sq ft of offices leased in the West End during the 2000 calendar year. Notable instructions included advising on the sale of Cleveland House, St James's Square, a 73,000 sq ft prime core development.

Savills' European offices had a very successful year advising on several major transactions in Germany, Spain and France. The Frankfurt office of FPDSavills advised the German open ended fund Commerz Grundbesitz Invest (CGI) on the forward funding of a 43,000 sq m office investment in the Rive Gauche development area in Paris. The project, which will be developed by Shaftesbury and Capital & Continental, overlooks the River Seine and will provide some of the highest quality accommodation to come onto the Parisian market. Completion will be in spring 2003. FPDSavills have now advised CGI on the acquisition of five major investments in the buoyant Paris market with a completed value in excess of FF 9 billion.

The Commercial Agency activities in Hong Kong have been encouraging, as large multinational companies, global IT and financial institutions capitalised on attractive rental rates to expand their offices. As a result, the vacancy rate for grade A buildings has reduced significantly and rental rates have improved noticeably. FPDSavills' strong market position allowed it to generate substantial revenue and helped strengthen the Group's relationship with many substantial global clients. In a testing market, industrial property sales were generally of small units although the team was also successful in completing a number of larger transactions during the period. At the Hong Kong Science Park, FPDSavills leased 320,000 sq ft to a cross section of technology companies.

#### **Residential Agency**

After a buoyant start to the financial period, the UK residential market experienced quite a slow down during the early autumn. However, against seasonal trends, we experienced a strong finish to the period with excellent sales achieved at the very top of the house market.

In total, almost £1.1 billion of properties were sold in the eight-month period. The average price of a house sold by FPDSavills is around £500,000 in the country and in excess of

£1.25m in London. Central London values increased by about 15% and in the country by about 9% during the calendar year.

During the last twelve months we have opened new residential offices in Bishop's Stortford, Bristol, Manchester, Wimbledon and Windsor. Our UK network of 46 offices, including 14 in London, gives us by far the most extensive network in the prime residential market.

The residential auction department has continued to grow impressively whilst maintaining one of the highest average lot values (in excess of £150,000) in the residential market. In its second full year of operation, the department has doubled the value of properties sold to in excess of £56m and has increased its ranking in terms of value sold from ninth to fifth.

The residential market in Hong Kong proved to be extremely tough over the period with values remaining flat and transaction volumes depressed by continuing nervousness over the direction of the government housing policy as well as negative equity concerns. As a result the residential sales department experienced a difficult eight months, but the prestige homes division maintained its leading market position.

### **New Homes**

During the period we continued to expand our UK New Homes operations, with new offices opening in Bristol and Manchester, reflecting our greater focus on larger urban schemes, where we anticipate the greatest future growth. From 1 May to 31 December 2000 we sold 1,322 new homes in the UK totalling £434m, at an average value of £328,000. The "pipeline" of future business, on schemes where we are already providing consultancy advice, indicates strong earnings in the next few years.

In Hong Kong, developers proved reluctant to dispose of luxury projects, preferring to defer their disposals until 2001.

### **Development**

The development land side of our business has continued to see rapid growth over the last 18 months. Our planning and development teams are now advising on 20,000 acres of potential development land.

Increasingly our involvement in development opportunities leads us to offer expert advice on mixed use development where we are uniquely positioned to integrate our broad range of property skills to produce well-balanced mixed development schemes, particularly on urban or brownfield sites. Our regeneration team in London advises clients on many large brownfield urban schemes.

In Hong Kong, FPD Savills completed both the development consultancy and project marketing for the Hong Kong Science Park, a government sponsored scheme of some 3.5m sq ft.

### **Residential Lettings**

The UK residential lettings division was restructured during the period and now forms a platform for significant expansion of the business. The prime central London teams performed well in a relatively strong market where the client base consists mainly of investors and owner-occupiers keen to hold on to their properties in London whilst having moved to the country. With the overall lettings market predicted to increase FPD Savills is well placed to service the demand. Out of London lettings operate in a more difficult market with lower letting values and varying standards of stock.

In Hong Kong, luxury residential rents rose by 6% over the calendar year, driven primarily by demand from financial services staff and greater increases were seen at the top end of the market where availability was limited. In a competitive market, FPD Savills was successful in retaining major corporate clients and in completing several sole agencies for the letting of a number of key properties.

### **Agricultural Agency**

UK farmland values have held up remarkably since their peak in 1997, average prices being just 19% down to December 2000 compared with a fall in farm incomes of 70% over the same period.

Limited supply and a strong residential market, particularly in the south and west, have been contributory factors and significant premiums have been achieved for holdings with good access to London, attractive principal houses and amenity, from non-farming buyers who bought 39% of farms offered for sale by FPD Savills during 2000. Demand for commercial holdings in areas of little amenity, where value traditionally reflects profitability, is less strong and a successful sale can often be dependent upon interest from neighbours. The current foot and mouth crisis will not help confidence in the commercial farm sector particularly in stock rearing areas.

### **Commercial Investment**

The period under review was another outstanding one for the UK Commercial Investment department. The investment team has continued to work closely with a number of mainstream clients, including Pillar Property plc, Phillips & Drew Fund Management, Grantchester plc, Chartwell Land Ltd and Morley Fund Management.

In addition, the team has undertaken sales and acquisitions for a number of new clients including Standard Life, Deutsche Property Asset Management, Rugby Estates plc, Mansford Holdings Ltd and Westdeutsche Landesbank. Notable transactions include: acting on behalf of Westdeutsche Landesbank in the joint venture purchase with British Land plc of four city offices with a total value of £350m; the purchase of Garrard House, 31/45 Gresham Street, London for a private Irish syndicate in the sum of £85m; the sale of the 75% holding in Cannon Bridge, Dowgate Hill, London on behalf of General Electric Pension Fund in the sum of £103m; and the purchase of the London Underground portfolio, consisting of 26 properties throughout Greater London, on behalf of Norwich Union for the sum of £97m. On the retail warehouse side, the team acted on behalf of Haslemere in the sale of Broadwalk Retail Park, Walsall, for £17.2m to Foreign & Colonial.

In Hong Kong sales values remained flat as a result of subdued market sentiment but our team performed strongly and completed a number of headline deals including the sale of 8 Wyndham Street for HK\$500m and the disposal of 116-112 Gloucester Road for HK\$400m.

In Australia our team arranged the sale of two of the largest properties in Sydney. Following an international marketing campaign we concluded the sale of the Market City retail centre for A\$105m and followed this with the sale of the office tower at 201 Kent Street for A\$200m.

### **Retail**

Despite a lack of consumer confidence in retail generally in the UK, the retail warehouse sector from a property perspective has continued to perform well. The Retail Warehouse team has advised B&Q plc upon six major new store acquisitions throughout the country providing approximately 900,000 sq ft of retail floor space. Letting advice has been given to Chartwell Land at the retail park developments at Northampton and Romford which provide a combined floor space of approximately 350,000 sq ft of retail accommodation.

In Hong Kong, improving consumer confidence and the return of overseas visitors to Hong Kong helped buoy the retail market. Our retail team successfully leased space to a number of newcomers including Mango from Spain and Morton's from the USA and concluded a number of deals in the restaurant sector.

### **Fund Management**

Fund Management, operating from the UK, enjoyed a highly successful eight-month period. Clients enjoyed another strong year of performance whilst the disinvestment programme for the Boots Pension Fund was successfully concluded, triggering the payment of performance fees.

A highlight of the period was the launch of the Charities Property Fund at the end of September. The Fund has been designed to allow Charities to benefit from the high yield available on property whilst preserving the valuable exemption from stamp duty. It is the aim to grow the Fund to £100m within 12 months.

Savills Investment Management Limited, the Group's IMRO regulated subsidiary, will handle regulated business such as launching and promoting property vehicles and managing indirect property instruments such as unit trusts and limited partnerships.

### **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 eight months was £3.5m on turnover of £23.2m. This was an excellent performance by the various professional teams throughout the Group.

Whilst separated for reasons of client confidentiality this business is highly complementary with our transaction work and we believe that our knowledge of the markets is vital to the quality of the advice we provide. Market changes provide new opportunities for expansion as evidenced by the increase in business in Asia Pacific from clients who require objective property and planning advice as the region recovers from the downturn.

### **Valuation**

The Commercial Valuation department has had another successful trading period, increasing turnover (on an annualised basis) by 13.5%. We continue to provide valuations of the Canary Wharf Estate for accounts, financing and other purposes. Elsewhere, we have valued many other commercial and development properties with values exceeding £100m. Our core business is independent valuations for banks for loan security purposes, and the major German banks continue to be important clients. During the trading period we worked on valuations for securitisation purposes, including a further portfolio of Sainsbury's superstores. The Hotels Valuation department further established itself as the market-leader advising on hotels in the UK and Europe for all the major lending institutions. Valuations were undertaken over assets in excess of £750m, including serviced apartments, health clubs and associated leisure properties.

The London based Residential Valuation department had a further successful eight-month period. They now have an exceptionally wide client base which, for loan security work, includes UK clearing and private banks, building societies, merchant and foreign banks. A growing part of their business has come from the valuation of residential development sites. They also provided valuation advice to British Land during their acquisition of a central London residential portfolio in excess of £150m. During the period this department valued over £800m of residential stock.

Our Hong Kong valuation team experienced unprecedented business growth over the period and both the mortgage valuation and corporate sections of the department were strengthened. Properties valued ranged from the largest high-end residential site on Hong Kong Island to a variety of houses, hotels and shopping centres in Hong Kong, Macau and mainland China.

### **Building Consultancy**

Our UK Building Consultancy department had another successful year continuing its trend of increasing income and profit by more than 20% for the fifth successive year. Our focus on office fit out has secured an increased market share including the project management of a wide range of corporate headquarters within the financial, legal and manufacturing sectors.

In only its second year of full operation CMI Project Services Limited, our major scheme project management subsidiary, has secured two substantial new build commissions; a 93,000 sq m commercial office development in Docklands; and a 58,500 sq m luxury residential apartment building.

Within the residential sector we project managed the restoration of Knebworth House. In the social housing sector we have consolidated our position as market leaders and are advising Glasgow City Council on the condition of its 100,000 properties, including 275 high-rise tower blocks.

### **Landlord and Tenant**

In London and the South East, the differential between office rents set five years ago and current open market rents is greater than at any time for 15 years. Strong rental growth has also reduced the number of properties that remain over-rented as a result of the recession of the early 1990's, hence the rent review business is going through a growth phase.

Our London based Landlord and Tenant department is capitalising on these positive market conditions, and benefits from having an experienced and respected team. As well as focusing on the core markets, they have a high profile in the out of town retail market, where they have now worked for 50 landlord clients on retail warehousing rent reviews.



In Hong Kong, the grade 'A' office leasing market over the period was fuelled by demand from financial services, IT, telecommunications and insurance companies and rents rose significantly across all districts. Notable deals included the lease restructuring and rent review of 70,000 sq ft of office space for Standard Chartered Bank as well as the leasing of 60,000 sq ft in Olympian Plaza to Honeywell.

### **Rating**

The UK business rates team continues to advise commercial property occupiers and to assist them to reduce their rates' bills. In the period, outstanding appeals from the 1995 Revaluation were dealt with as well as preparation for appeals after the 2000 Revaluation took effect on 1 April 2000.

### **Planning**

The last year has seen significant changes affecting planning, with ground breaking government advice on sustainable development, the publication of the White Papers on Urban and Rural Development, and the establishment of the Greater London Authority. The planning teams have been at the forefront of advising clients on the implications, as the planning arm of the Company continues to expand and diversify. Acting for a range of developers and landowners, a number of urban regeneration and masterplanning exercises are currently underway. Examples include regeneration proposals at the Elephant and Castle, SE1 for Pinnacle Estates Ltd and at Colliers Wood for Countryside Properties plc. Successes include the 2m sq ft Swan Valley business park in Northampton, part of an urban expansion project of 4,000 houses, commercial and leisure development, and the new shopping park adjacent to junction 27 of the M62 for Pillar Property plc/Hermes. A notable new client for the Southern region is the South West Regional Development Agency.

### **Strategic Projects**

Operating throughout the UK, Strategic Projects undertakes planning and implementation of major infrastructure projects for the telecommunications, energy and utility sectors. A new telecommunications business team has been established to draw together the Group's expertise in this field. The work tends to follow the capital investment programmes of major UK companies particularly in the wake of deregulation. Over the past two to three years there has been a trend away from major projects in electricity, to new pipeline projects, and now an increasing focus upon telecommunications. Most notable has been the success of winning the contract from Nacap Telecoms Ltd to design and deliver, ready for construction, 1,200km of underground cable route between Birmingham, Glasgow, Edinburgh and Nottingham, part of the £332m national network being created by 186K Ltd (a subsidiary of Lattice).

### **Research**

FPDSavills London based research department remains unique in offering a full range of research services to clients across all UK and many overseas real estate sectors: commercial, residential and rural. As well as monitoring and forecasting all the major, mainstream real estate markets, FPDSavills has made a name in emerging and specialist markets such as residential investment, property and agricultural estates.

Notable transactions included advising the Housing Corporation on risk assessment in the private rented sector and producing the first ever ground-breaking report on the London serviced apartment market.

Our Hong Kong and Shanghai based research teams continue to build on their reputation as leaders in the provision of regional property research. Whilst also advising a number of prominent private clients, the research team played an active role in several headline consultancy projects including work for the Hong Kong Science Park Company, Pacific Century Cyberworks and the Airport Authority.

### **PROPERTY MANAGEMENT**

Our property management business generates fee income from managing commercial, residential and agricultural properties for owners. Working closely with the other parts of our business we aim to add value to our clients by actively managing assets to optimise returns. During the period turnover was £31.0m generating a profit before interest and tax of £2.0m. We believe this business has a strong base and we are putting particular effort into expanding our coverage and investing substantially in new IT systems.

## **Commercial and Residential Management**

The period saw the formation of a National Commercial Property Management Team in the UK which has been created to win and service UK wide portfolio management instructions. The first contract awarded under this new structure was the UK Retail Park and Retail Parade portfolios for Henderson Global Investors which comprise a total of 520 tenants with a rent roll of over £50m.

Our Australian subsidiary, Byvan Pty Limited, is the leading manager of shopping centres in Australia with over 2.4m sq m of shopping centres and markets under management. Byvan's retail property management portfolio of over 150 shopping centres and markets makes the company more than 40% larger than its main industry competitor. With a sophisticated data base system capturing turnover information from 8,000 retailers around the country, Byvan is an industry leader in benchmarking shopping centre performance and in the provision of professional advisory services to property owners and major national retailers.

In Hong Kong, FPD Savills Property Management, which focuses on management of prime residential and commercial properties, obtained its ISO 14001 Certificate for Environmental Management Systems and received two independent awards for providing outstanding property management services last year. The company achieved better than expected profits despite operating in difficult market conditions due to the depressed property market.

The UK corporate residential management business consolidated its position with the successful integration of the residential portfolio management business acquired from Bradford & Bingley in 1999.

## **Land and Farm Management**

Our land management business continues to consolidate its leading market share. The problems facing the agricultural community have enforced the need for substantial re-structuring within rural businesses and our ability to identify new business streams on behalf of clients has been an important source of new work. Over recent months we have been extending our management into corporate rural businesses where there is substantial growth potential.

Despite difficult trading conditions in the agricultural sector, our specialist farming subsidiary Aubourn Farming, continues to successfully expand its business and technical consultancy service in line with its strategic objective of developing a national business.

## **FACILITIES MANAGEMENT**

The Facilities Management business provides a comprehensive range of services to occupiers of property ranging from strategic advice through project management to all the services relating to a building. The fee based income is typically received under a long-term contract for major corporate occupiers and therefore is some of the most secure revenue. For the eight-month period turnover was £23.6m generating profit before interest and tax of £2.3m.

Our facilities management operations consist of two main parts:

- FPD Savills Guardian which provides a range of property management services, primarily in Hong Kong, including Hong Kong government outsourcing contracts.
- Trammell Crow Savills, the new corporate outsourcing joint venture formed with Trammell Crow Company.

The global market opportunity for corporate real estate services is estimated to be US\$100 billion of which only a small percentage is currently outsourced. With the increasing trend for major business to focus on core activities we believe there is tremendous potential to develop this business further in Europe and Asia. We are fortunate that Trammell Crow Company is recognised as the leading corporate real estate outsourcing business in the US and our joint venture will benefit considerably from their expertise in this market.

Guardian achieved record profits for the period as its major operating subsidiaries reported solid achievements against revenue and profit targets. Serco-Guardian, the joint venture company with Serco Plc which is engaged in Facility Management business in Hong Kong, successfully won the renewal tender for the management contract for two tunnels for another

term of six years, which, together with the profits from the other service contracts, contributed to Guardian's excellent performance.

Trammell Crow Savills (TCS) was formed in June 2000 as a global real estate outsourcing company, to deliver corporate real estate services to multinational companies in Europe and Asia Pacific. Trammell Crow Company and Savills plc, have agreed to use TCS as the vehicle for all their real estate outsourcing and corporate real estate client work internationally.

TCS was formed through the injection of Trigon (now called Trammell Crow Savills (UK) Limited), our Facilities Management subsidiary, and the FPDSavills European Corporate Services team. In September 2000, coverage was extended through the acquisition by TCS of FPDSavills Asia Pacific's subsidiary, Construction Management International, and work on several major projects in Japan, Korea and Singapore has already commenced.

Trammell Crow Savills' clients include American Express Services Europe Limited, BP Exploration Co Ltd, British Airways plc, Cisco Systems Ltd, City Reach International Ltd, Ernst & Young and Getronics.

### **PROPERTY TRADING**

Our property trading subsidiary Grosvenor Hill Ventures undertakes co-investment through joint ventures as well as direct investment but always with the ultimate intention of bringing in an external partner. Whilst it is not common practice for UK institutions to require co-investment by advisers we believe that it is a trend that will develop particularly as US based opportunity funds become more influential in the market. The profit before tax and interest for the period of £0.2m on turnover of £5.7m reflects the initial launch costs of the investment property, Yorkshire Mill Village, the retail scheme in West Yorkshire, which amounted to £1.2m.

Grosvenor Hill Ventures, the principal co-investment vehicle, had another active year which saw the successful sale of three completed co-investment projects and the completion of the refurbishment and re-branding of Yorkshire Mill Village.

### **FINANCIAL SERVICES**

The Financial Services division is comprised of a corporate finance advisory business (Savills Finance Limited) and private client financial services business (Savills Financial Services ("SFS")) which is primarily focusing on residential mortgage broking and associated financial products. For the eight-month period, turnover was £3.3m and the loss before interest and tax of £0.7m reflects the costs of developing the business.

SFS is an example of the way we are looking to extend and maximise the value of the Savills brand. We believe there is a particular opportunity at the top end of the financial services market to create the UK's leading high end branded personal financial services distribution business. Its subsidiary Savills Private Finance is now established as a leading residential mortgage broker which is successfully extending the range of services it offers to its considerable client base.

#### **Savills Financial Services**

During the period the Savills Private Finance subsidiary sustained its growth record with like for like total income for the eight months up by 46%. The highlight of the period was the arrangement of a £11.5m individual loan - possibly the largest mortgage ever arranged on a single UK residential property. We have expanded the team and further offices have been opened. During January we increased the consulting staff by 14, with further increases planned for this year, with particular focus in the financial planning arena.

Our Internet presence, NetMortgage, has made steady progress through its chosen route of partnership marketing. During January the marketing partnership with BT came into operation. With the majority of the development costs already written off, the future overhead cost of NetMortgage has been minimised enabling the business to develop in line with consumer trends.

#### **Savills Finance Limited**

The eight-month period has been one of consolidation with the Schroder Residential Property Unit Trust building up to a portfolio value of approximately £30m by 31 December 2000. Savills Finance has benefited from a number of other advisory transactions and plans are in place to expand this activity during the forthcoming 12 months whilst exploring opportunities for

a broader deployment of the residential fund management expertise.

**Killik**

During the period a 4.9% interest in Killik & Co was sold generating a profit of £1.35m. Since the period-end we have agreed to sell our remaining 10% in Killik.

**Aubrey Adams, Group Chief Executive**

## **FINANCIAL REVIEW**

### **RESULTS FOR THE PERIOD**

Group turnover for the eight months ended 31 December 2000 was £156.7m generating a pre-tax profit of £17.4m and earnings per share of 18.7p.

On a pro forma basis turnover for the 12 months to 31 December 2000 was £213.5m, an increase of 60% on the 1999 figures. Pre-tax profit on the same basis increased from £20.6m to £25.9m. These increases reflect a very strong performance in our European and Commercial businesses. At the same time we have invested substantially in developing Savills Financial Services and in particular the Internet based business, NetMortgage, resulting in a pre-tax loss of £1.9m. The initial launch costs of Yorkshire Mill Village have also been treated as an expense in the period giving rise to a pre-tax loss of £1.2m.

### **ACQUISITIONS AND DISPOSALS**

During the period we completed a number of acquisitions and disposals of businesses or interests in ventures, both in the UK and overseas.

On 10 May 2000 the Group announced its proposal for the formation of a strategic alliance with Trammell Crow Company, which completed on 30 June 2000, to provide a full range of property services to customers of Savills plc and to customers of Trammell Crow Company in Europe and the US. A new outsourcing joint venture company, Trammell Crow Savills, was established to focus primarily on the development of significant opportunities in the outsourcing industry in Europe. Savills' Corporate Services division and its wholly-owned facilities management subsidiary, Trammell Crow Savills (UK) Limited (formerly Trigon Limited), were transferred into the joint venture. Trammell Crow Company's contribution includes the referral of the European element of significant global outsourcing contracts developed in the US. Trammell Crow Savills is 49% owned by Savills plc. Trammell Crow Company acquired a 10% interest in Savills plc from First Pacific Company and two representatives were appointed to the Board of Savills plc as Non-Executive Directors.

On 15 September 2000 the Group extended its coverage of the strategic alliance with Trammell Crow Company to cover the Asia Pacific region. Trammell Crow Savills (Asia Pacific) Limited, a newly formed subsidiary of Trammell Crow Savills of which Savills plc owns 49%, acquired the Asian construction management business from FPDSavills Asia Pacific.

On 22 December 2000 the Group disposed of a 4.9% interest in the stock broking partnership, Killik & Co.

### **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 17 to the Accounts. The Board reviews and agrees policies for managing each of the above-mentioned risks. These have remained unchanged during the period under review and are summarised below.

#### **Interest Rate Risk**

The Group finances its operations through a mixture of retained profits and bank borrowings, at both fixed and floating interest rates. It then uses interest rate caps, when appropriate, to manage its exposure to interest rate fluctuations. At the period-end, 45.7% 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 period-end, 0.6% of the Group's borrowings were due to mature in more than five years' time.

### **Foreign Currency Risk**

Approximately 5% of the Group's turnover was derived from Mainland Europe and 35% from Asia Pacific in the period. Our policy is for each business to borrow in local currencies where possible. The Group does not actively seek to hedge risks arising from foreign currency transactions due to their non-cash nature and the high costs associated with such hedging.

### **BORROWING**

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

### **NET INTEREST RECEIVABLE**

Net interest receivable decreased to £448,000 (year to 30 April 2000 - £714,000).

### **TAXATION**

The taxation charge increased to 34.1% of the profit before tax compared with 30.6% during the year to 30 April 2000, largely due to the effect of the tax saving resulting from the set up of the Savills QUEST in the year to 30 April 2000.

### **EARNINGS AND DIVIDEND**

Earnings per share amounted to 18.7p (year to 30 April 2000 - 27.8p). This calculation excludes the shares held by the Employee Benefit Trust and the Qualifying Employee Share Trust.

The Board is recommending a dividend of 6.0p (net) for the eight months. On a pro rata basis, this represents a 20% increase over the total dividend of 7.5p for the year ended 30 April 2000. The dividend will be paid on 4 May 2001 to shareholders on the register at 17 April 2001.

### **SHARE CAPITAL**

During the eight-month period ended 31 December 2000, 37,340 shares were issued to participants in the Savills plc United Kingdom Executive Share Option Scheme and 8,652 to participants in the Savills Sharesave Scheme. A further 2,822 shares were issued to the Qualifying Employee Share Trust, bringing the total number of ordinary shares in issue at 31 December 2000 to 62.6m (at 30 April 2000 - 62.5m).

### **CASH FLOW AND LIQUIDITY**

Net cash inflow from operating activities totalled £18.8m which, after allowing for cash flows including taxation, dividends, investments and capital expenditure (see below), produced a net increase in cash of £6.9m. At 31 December 2000, prior to the payment of period-end bonuses, the Group's cash at bank and in hand amounted to £29.7m. 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 £16.1m (before taking account of cash within acquired subsidiaries of £0.2m).

### **BALANCE SHEET VALUE**

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

**Robert McKellar, Finance Director**

SAVILLS plc  
PRELIMINARY ANNOUNCEMENT OF RESULTS  
period ended 31 December 2000

	8 months to 31.12.00 £'000	Year to 30.04.00 £'000
<b>Turnover – continuing operations</b>		
Existing operations	161,180	142,587
Acquisitions	887	-
Less: Share of joint ventures	(5,377)	(651)
	<hr/>	<hr/>
Total Group turnover	<u>156,690</u>	<u>141,936</u>
<b>Operating profit</b>		
Group - existing operations	13,455	18,868
- acquisitions	15	-
	<hr/>	<hr/>
Operating profit	13,470	18,868
Share of operating profit of joint ventures	851	4
Share of operating profit of associated undertakings	516	568
	<hr/>	<hr/>
Operating profit including share of joint ventures & associated undertakings	14,837	19,440
Profit on disposal of interests in subsidiary undertakings	793	22
Profit on disposal of interest in associated undertaking	1,350	-
	<hr/>	<hr/>
Profit before interest	16,980	19,462
Net interest		
Group	392	709
Joint ventures	59	6
Associated undertakings	(3)	(1)
	<hr/>	<hr/>
Total net interest	448	714
	<hr/>	<hr/>
Profit on ordinary activities before taxation	17,428	20,176
Taxation on profit on ordinary activities	(5,941)	(6,166)
	<hr/>	<hr/>
Profit on ordinary activities after taxation	11,487	14,010
Minority interests	(959)	(344)
	<hr/>	<hr/>
Profit for the financial period	10,528	13,666
Dividends paid & proposed	(3,359)	(4,008)
	<hr/>	<hr/>
Profit for the period transferred to reserves	<u>7,169</u>	<u>9,658</u>
	<hr/>	<hr/>
Basic earnings per share	18.7p	27.8p
Basic earnings per share before interest, tax, depreciation & amortisation	37.1p	46.1p
Diluted earnings per share	17.0p	25.4p
Dividend per share	6.0p	7.5p

SAVILLS plc  
SUMMARY GROUP BALANCE SHEET  
at 31 December 2000

	31.12.00 £'000	30.04.00 £'000
Intangible assets	29,883	33,202
Tangible assets	29,248	21,345
Investments		
Investments in joint ventures		
Share of gross assets	3,729	2,420
Share of gross liabilities	<u>(2,028)</u>	<u>(846)</u>
	1,701	1,574
Investments in associated undertakings	6,994	1,529
Other investments	<u>5,586</u>	<u>4,021</u>
Total investments	14,281	7,124
Total fixed assets	73,412	61,671
Working capital	(1,736)	306
Cash	<u>29,696</u>	<u>29,058</u>
Net current assets	27,960	29,364
Long-term creditors & provisions	(23,718)	(20,996)
Net assets	<u>77,654</u>	<u>70,039</u>
Called up equity share capital	3,129	3,127
Reserves - Share premium account	40,867	40,845
- Profit & loss account	33,069	25,636
Shareholders' funds	<u>77,065</u>	<u>69,608</u>
Minority interests	589	431
	<u>77,654</u>	<u>70,039</u>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	31.12.00 £'000	30.04.00 £'000
Profit for the financial period	10,528	13,666
Currency translation differences on foreign currency net investments	<u>264</u>	<u>203</u>
Total gains & losses recognised since last annual report	<u>10,792</u>	<u>13,869</u>



SAVILLS plc  
CONSOLIDATED CASH FLOW STATEMENT  
Period ended 31 December 2000

	8 months to 31.12.00 £'000	Year to 30.04.00 £'000
Net cash inflow from operating activities	18,778	20,167
Dividends received from joint ventures & associated undertakings	1,147	445
Net cash inflow from returns on investments & servicing of finance	9	806
Tax paid	(4,731)	(6,006)
Net cash outflow from capital expenditure & financial investment	(16,155)	(10,878)
Net cash inflow / (outflow) from acquisitions & disposals	232	(9,715)
Equity dividends paid	(2,549)	(3,401)
Cash outflow before use of liquid resources & financing	(3,269)	(8,582)
Net cash inflow from management of liquid resources	5,316	216
Net cash inflow from financing	4,827	7,894
Increase / (decrease) in cash for the period	6,874	(472)

SAVILLS plc  
PRO FORMA CONSOLIDATED PROFIT & LOSS ACCOUNT  
year ended 31 December 2000

	Year to 31.12.00 £'000 Unaudited	Year to 31.12.99 £'000 Unaudited
<b>Turnover – continuing operations</b>		
Existing operations	150,958	134,053
Acquisitions	68,522	-
Turnover including share of joint ventures	219,480	134,053
Less share of turnover of joint ventures	(5,971)	(644)
Total Group turnover	213,509	133,409
<b>Operating profit</b>		
Group – existing operations	19,441	19,629
- acquisitions	2,067	-
Operating profit	21,508	19,629
Share of operating profit of joint ventures	887	(32)
Share of operating profit of associated undertakings	711	467
Operating profit including share of joint ventures & associated undertakings	23,106	20,064
Loss on disposal of property	-	(59)
Profit on disposal of interests in subsidiary undertakings	793	22
Profit on disposal of interest in associated undertaking	1,350	-
Profit on ordinary activities before interest	25,249	20,027
Net interest		
Group	557	595
Joint ventures	65	(17)
Associated undertakings	(3)	(8)
Total net interest	619	570
Profit on ordinary activities before taxation	25,868	20,597
Taxation on profit on ordinary activities	(8,053)	(6,818)
Profit on ordinary activities after taxation	17,815	13,779
Minority interests	(939)	(311)
Profit for the financial period	16,876	13,468
Basic earnings per share	31.1p	27.7p
Basic earnings per share before interest, tax, depreciation & amortisation of goodwill (EBITDA)	56.2p	46.8p

Pro forma figures taken from management accounts.

## NOTES

1. The financial information above does not amount to full accounts within the meaning of Section 240 of the Companies Act 1985. The Company's Auditors have given an unqualified opinion on the Group accounts, which have not yet been filed with the Registrar of Companies. The audit report did not contain any statement under S 237(2) or (3) of the Companies Act 1985.

### 2. Segmental analysis

8 months to 31.12.00	Consult -ancy £'000	Transac -tional £'000	Property Manag't £'000	Facilities Mgt £'000	Financial Services £'000	Property Trading £'000	Holding Company £'000	Group £'000
Total Group turnover	23,186	69,917	30,979	23,607	3,264	5,737	-	156,690
Operating profit/(loss)	3,261	11,798	1,584	924	(2,149)	226	(2,174)	13,470
Share of operating profit of joint ventures	-	-	21	830	-	-	-	851
Share of operating profit/(loss) of associated undertakings	260	7	388	(249)	110	-	-	516
Profit on disposal of interest in subsidiary undertakings	-	-	-	793	-	-	-	793
Profit on disposal of interest in associated undertakings	-	-	-	-	1,350	-	-	1,350
Profit/(loss) before interest & taxation	3,521	11,805	1,993	2,298	(689)	226	(2,174)	16,980
Year to 30.04.00 profit/(loss) before interest & taxation	5,137	11,745	847	54	275	2,766	(1,362)	19,462

3. In the above segmental analysis the Holding Company figures include goodwill amortisation charges.

### 4. Geographical analysis of turnover and profit before interest and tax (PBIT)

	Turnover 31.12.00 £'000	PBIT 31.12.00 £'000	Turnover 30.04.00 £'000	PBIT 30.04.00 £'000
United Kingdom	94,259	10,754	128,847	18,204
Rest of Europe	7,315	2,723	6,258	852
Asia	55,116	3,503	6,831	406
	156,690	16,980	141,936	19,462

5. A final dividend of 6.0p (net) per share is recommended and, assuming approval at the Annual General Meeting, will be paid on 4 May 2001 to shareholders on the register as at 17 April 2001.
6. The earnings per share have been calculated using the weighted average number of shares in issue of 56,300,000 (at 30 April 2000 - 49,139,000) and exclude the shares held by The Savills plc 1992 Employee Benefit Trust (EBT) and the Qualifying Employee Share Trust (QUEST). The calculation of fully diluted earnings per share is based on a weighted average number of shares in issue of 61,761,000 (30 April 2000 - 53,731,000).
7. Information relating to the year to 30 April 2000 is an abridged version of the full Group accounts for that year which have been filed with the Registrar of Companies and upon which the Auditors, KPMG Audit Plc, gave an unqualified opinion.

8. Copies of this statement are being sent to shareholders and are available from the registered office at:  
Savills plc, 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ  
Telephone: 020 7409 9936 Fax: 020 7491 0505 Contact: Jo Carpenter

The information is also available on the Company's website on: [www.fpsavills.co.uk](http://www.fpsavills.co.uk)

9. The Annual General Meeting will be held at:  
20 Grosvenor Hill, Berkeley Square, London W1K 3HQ on 30 April 2001 at 12 noon.

Ends