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CB Hillier Parker Limited

Reports and financial statements
for the year ended 31 December 2001

Registered Number: 3536032

Directors' report

For the year ended 31 December 2001

The directors present their annual report and financial statements for the year ended 31 December 2001.

Principal activities and review of the business

The company's principal activity continues to be the provision of property consultancy services. The directors expect the current level of business to continue.

Results and dividends

The company profit after taxation for the year ended 31 December 2001 amounted to £1,430,000 (2000 - £1,958,000).

The directors do not recommend the payment of a dividend (2000 - £nil).

Disabled employees

It is the company's policy to give full and fair consideration to the employment, training, career development and promotion of disabled persons, and wherever possible, to provide continued employment and training to persons who become disabled while employed by the company.

Employee involvement

The directors recognise that the quality, commitment and motivation of its staff is crucial to the success of the company. Employees are able to share in this success through a number of bonus schemes.

Employees are kept informed on matters affecting them and made aware of the general economic factors influencing the company. In addition staff social groups, catering for a wide range of leisure interests, are actively supported by the company.

Directors and their interests

The directors who served during the year were as follows:

R A Farnes	
M F Creamer	
W Stafford	(resigned 31st December 2001)
R Wirta	(resigned 2nd January 2002)
J Leonetti	(appointed 1st January 2001 & resigned 2nd January 2002)
J Reid	(appointed 1st January 2001)
B White	(appointed 29th January 2002)
E Reiter	(appointed 29th January 2002)

The directors had no interests in the share capital of the company, or any of its subsidiary undertakings, during the year or up to the date of this report. Directors' interests in the ultimate parent company, CBRE Holdings Inc., have their interests disclosed in CBRE Holdings Inc.'s accounts.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Pursuant to Section 386 of The Companies Act 1985, as inserted by Section 119 of the Companies Act 1989, an Elective Resolution was passed, dispensing with the requirement to appoint Auditors annually.

77 Grosvenor Street
London
W1K 3JT

On behalf of the Board

M. F. Creamer
Director

18 June 2002

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To the Shareholders of CB Hillier Parker Limited

We have audited the financial statements of CB Hillier Parker Limited for the year ended 31 December 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related Notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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. 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 circumstances of the company, 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 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.

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Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

180 Strand
London
WC2R 1BL

18 June 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	96,822	95,966
Operating expenses		(92,222)	(94,982)
Operating profit	3	4,600	984
Interest receivable		2,260	151
Interest payable	6	(4,234)	(2,295)
Profit/(loss) on ordinary activities before taxation		2,626	(1,160)
Tax charge on profit/(loss) on ordinary activities	7	(1,196)	(798)
Retained profit/(loss) for the year		1,430	(1,958)
Retained deficit at the beginning of the year		(6,886)	(4,928)
Retained deficit at the end of the year		(5,456)	(6,886)

There are no recognised gains or losses in either year other than the profit/(loss) for that year. All amounts relate to continuing activities.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Goodwill	8	32,307	34,265
Tangible assets	9	2,844	3,714
Investments	10	128	47
		35,279	38,026
Current assets			
Work in progress		2,400	2,749
Debtors: amounts falling due within one year	11	39,668	35,576
Debtors: amounts falling due after one year	11	15,711	14,569
Cash at bank and in hand		1,704	2,929
		59,483	55,823
Creditors: Amounts falling due within one year	12	(66,989)	(67,779)
Net current liabilities		(7,506)	(11,956)
Total assets less current liabilities		27,773	26,070
Creditors: Amounts falling due after more than one year	13	(373)	(737)
Provisions for liabilities and charges	15	(6,356)	(5,719)
Net assets		21,044	19,614
Capital and reserves			
Called-up equity share capital	16	-	-
Capital contribution	16	26,500	26,500
Profit and loss account	17	(5,456)	(6,886)
Equity shareholders' funds	18	21,044	19,614

These financial statements were approved by the Board of Directors and signed on its behalf by:

M. F. Creamer
Director

18 June 2002

The accompanying notes are an integral part of this balance sheet.

1 Principal accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 228 of the Companies Act 1985, because it is a wholly owned subsidiary of CBRE Stewardship Company which prepares consolidated financial statements which are publicly available.

The company is a wholly owned subsidiary of CBRE Holdings Inc. and the cashflows of the company are included in the consolidated group cashflow statement of that company. Consequently the company is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

b) Goodwill

Goodwill is the excess between the amount paid on the acquisition of the business and the fair value of the separable net assets acquired. Goodwill has been capitalised and is written off on a straight line basis over life of 20 years, being the directors' best estimate of its useful economic life. Provision is made for any impairment.

c) Turnover

Turnover comprises commissions, fees receivable, and facilities management charges exclusive of Value Added Tax.

d) Work in progress

Work in progress is valued at the lower of cost and net realisable value. This is determined having regard to the percentage of work done and the certainty as to the outcome of each project. Cost reflects direct labour costs and attributable overheads based on a normal level of activity. Net realisable value represents the estimated fee for the work completed.

e) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided so as to write off the cost of tangible fixed assets less their residual value over their estimated useful lives, using the following rates:

Leasehold improvements	20% per annum on a straight line basis, or length of lease if shorter
Plant and machinery	33% to 50% per annum on a straight line basis
Motor vehicles	25% per annum on a straight line basis

1 Principal accounting policies (continued)

f) Fixed asset investments

Fixed asset investments are shown at cost less provisions for impairment.

g) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

h) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

i) Pensions

For defined benefit schemes, the cost charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

The company has adopted the transitional disclosures required by FRS 17 (see note 19).

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 Turnover

The company's turnover is derived from property consultancy services, and facilities management. An analysis of turnover by activity has been omitted because, in the opinion of the directors, inclusion would be seriously prejudicial to the business.

The geographical analysis of company turnover by destination is as follows:

	2001 £'000	2000 £'000
United Kingdom:	95,827	95,655
Overseas:		
Europe and Russian Republics	661	256
Middle East	15	45
Other	319	10
	96,822	95,966

The company's turnover all originates in the United Kingdom.

3 Operating profit

Profit on ordinary activities is stated after charging:

	2001 £'000	2000 £'000
Depreciation and amounts written off tangible fixed assets		
- Owned	748	738
- Held under finance leases and hire purchase contracts	243	306
Amortisation of goodwill	1,958	2,105
Auditors' remuneration for audit services	66	63
Auditors' remuneration for non audit work	75	50
Operating leases:		
- Plant and machinery	616	591
- Other assets	3,351	3,072

4 Directors' remuneration and transactions

Remuneration

The remuneration of the directors was as follows:

	2001 £'000	2000 £'000
Emoluments	662	1,606
Company contributions to money purchase pension schemes	30	49
	692	1,655

Pensions

The number of directors who were members of pension schemes was as follows:

	2001 Number	2000 Number
Money purchase schemes	2	4
	2	4

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2001 £'000	2000 £'000
Emoluments	343	387
	343	387

5 Employment costs

	2001 £'000	2000 £'000
Wages and salaries	37,464	32,146
Social security costs	3,978	3,730
Pension costs (note 19)	1,149	1,097
	42,591	36,973

5 Employment costs (continued)

The average monthly number of employees (including executive directors) in the current year was:

	2001 Number	2000 Number
Property consultancy services	414	367
Administration	227	246
	641	613

6 Interest payable

	2001 £'000	2000 £'000
Bank interest	968	394
Finance charges payable under finance leases and hire purchase contracts	94	140
Interest payable to other group companies	3,172	1,761
	4,234	2,295

7 Tax on profit/(loss) on ordinary activities

The tax charge comprises:

	2001 £'000	2000 £'000
UK Corporation tax @ 30% (2000 – 30%)	930	146
Deferred taxation	266	652
	1,196	798

If full provision had been made for deferred taxation for the year, the tax charge would have been reduced by £6,000 (2000 – reduction of £38,000).

8 Goodwill

On 8 July 1998 the company acquired the trade, assets and liabilities of the partnership Hillier Parker May & Rowden, including the share capital of various companies previously controlled by that partnership.

	£'000
Cost	
As at 1 January 2001 and 31 December 2001	39,162
Amortisation	
As at 1 January 2001	4,897
Charge for the year	1,958
As at 31 December 2001	6,855
Net book value	
At 31 December 2001	32,307
At 31 December 2000	34,265

9 Tangible fixed assets

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2001	2,433	12,052	2,150	16,635
Additions	99	682	-	781
Disposals	-	(379)	(561)	(940)
At 31 December 2001	2,532	12,355	1,589	16,476
Accumulated depreciation				
At 1 January 2001	2,193	9,860	868	12,921
Charge for the year	94	654	243	991
Disposals	-	-	(280)	(280)
At 31 December 2001	2,287	10,514	831	13,632
Net book value				
At 31 December 2001	245	1,841	758	2,844
At 31 December 2000	240	2,192	1,282	3,714

At 31 December 2001 the net book value of assets held under finance leases and hire purchase contracts was £758,000 (2000 - £1,302,000). The depreciation charge for the year in respect of these assets was £243,000 (2000 - £306,000).

10 Fixed asset investments

Interest in subsidiary undertakings:

	£'000
Cost	
As at 1 January 2001	47
Additions	81
As at 31 December 2001	128

During the year the company increased its investment in CB Hillier Parker Investment Management Limited.

Principal subsidiaries

The company's principal subsidiary undertakings at 31 December 2001 and 2000 were as follows:

	Principal activity	Holding No. of shares	Proportion of Ordinary share capital %
CB Hillier Parker Investment Management Limited	Financial services	90,000	100
CB Hillier Parker Management Services Limited	Management services	2	100
CB Hillier Parker Financial Services Limited	Financial services	10,000	100
Hillier Parker May & Rowden Limited	Property consultancy	2	100
CB Hillier Parker Investors Limited	Financial services	10,000	100
CB Hillier Parker (GP 1) Limited	General Partner	2	100

All of the subsidiary undertakings are incorporated in the United Kingdom.

11 Debtors

	2001 £'000	2000 £'000
Amounts falling due after more than one year:		
Pension prepayment (note 18)	15,711	14,569
Amounts falling due within one year:		
Trade debtors	24,029	25,463
Amounts owed by subsidiary undertakings	13	80
Amounts owed by fellow group undertakings	3,402	1,879
Amounts owed by ultimate parent company	763	864
Other debtors	1,284	626
Other prepayments	10,177	6,664
	39,668	35,576

12 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Bank overdraft	9,066	383
Trade creditors	1,117	2,090
Amounts owed to ultimate parent undertaking	1,176	7,555
Amounts owed to fellow group undertakings	22,552	23,657
Amounts owed to subsidiary undertakings	776	140
Corporation Tax	596	180
Obligations under finance leases and hire purchase contracts	501	537
Taxation and social security:		
- social security	1,404	2,052
- other taxes	1,094	1,510
Other creditors	16,163	17,482
Accruals	12,544	12,193
	66,989	67,779

13 Creditors: amounts falling due after more than one year

	2001 £'000	2000 £'000
Obligations under finance leases and hire purchase contracts	373	737

14 Obligations under finance leases and hire purchases contracts

	2001 £'000	2000 £'000
Amounts repayable within one year	564	632
Amounts repayable between two and five years	391	818
	955	1,450
Less:		
Finance charges allocated to future periods	(81)	(176)
	874	1,274
Shown as:		
Amounts falling due within one year	501	537
Amounts falling due after more than one year	373	737
	874	1,274

15 Provisions for liabilities and charges

	2001 £'000	2000 £'000
Deferred tax	4,649	4,383
Other provisions	1,707	1,336
	6,356	5,719

Movement in provisions for liabilities and charges:

	At 31 December 2000 £'000	Paid in year £'000	Charged to profit and loss account £'000	At 31 December 2001 £'000
Deferred tax	4,383	-	266	4,649
Other provisions	1,336	(271)	642	1,707
	5,719	(271)	908	6,356

Other provisions include a provision for potential professional indemnity claims that arise in the ordinary course of business and potential costs in respect of SURMIA (see note 20 for further details).

Deferred taxation

Deferred taxation provided and not provided in the financial statements are as follows:

	2001		2000	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Tax effect of timing differences relating to accelerated capital allowances	-	(172)	-	(173)
Other timing differences	4,649	-	4,383	-
	4,649	(172)	4,383	(173)

16 Equity share capital

a) Equity share capital

	2001 £	2000 £
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
Ordinary shares of £1 each	100	100

b) Capital contribution

In the period ended 31 December 1998, the company's ultimate parent company made a capital contribution of £26.5 million to CB Hillier Parker Limited. The sum is to be treated as a contribution to the permanent capital of the company and is considered by the directors to be a non-distributable reserve.

17 Reserves

	Profit and loss account £'000
At 1 January 2001	(6,886)
Retained profit for the year	1,430
At 31 December 2001	(5,456)

18 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit/(loss) for the financial year	1,430	(1,958)
Net addition/(reduction) to shareholders' funds	1,430	(1,958)
Opening shareholders' funds	19,614	21,572
Closing shareholders' funds	21,044	19,614

19 Pensions

Defined benefit scheme

The group operates a pension scheme, the CB Hillier Parker Pension Scheme providing benefits based on final pensionable salary. The assets of the scheme are held in trustee administered funds, separated from the group's own resources. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of periodic valuations using the projected unit method.

19 Pensions (continued)

The latest actuarial valuation for the scheme trustees was at 31 December 2000 and this has been updated to 31 December 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 and the rates of increase in salaries and pensions. It was assumed that the investment returns in respect of non-pensioner liabilities would be 7.7% pa and from pensioner liabilities 5.7% pa, that salary increases would average 4.8% pa and that present and future pensions would increase at 2.8% pa. Assets have been valued at market value. The valuation shows that the market value of the scheme's assets was £67,755,000 and represented 150% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The current company contribution rate and the employee contribution rate are 7.5% and 4% of pensionable salaries respectively.

Defined benefit scheme (continued)

The pension charge to the Group for the year from the scheme was £332,000 (2000 - £338,000). This included a credit of £1,421,000 in respect of the amortisation of experience surpluses that are being recognised over 10 years, which is considered the average remaining service lives of employees.

Additional disclosures regarding the company's defined benefit scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the first year of the transitional provisions and provide information which will be necessary for full implementation of the standard in the year ending 31 December 2003.

The actuarial valuation was updated to 31 December 2001, by an independent qualified actuary in accordance with the transitional arrangements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2001 % pa
Rate of increase in salaries	4.5
Rate of increase in pensions in payment	2.5
Discount rate	6.0
Inflation assumption	2.5

19 Pensions (continued)

The fair value of assets in the scheme, the present value of the liabilities in the scheme, and the expected rate of return at the balance sheet date were:

	2001 % pa	2001 £'000
Equities	8.75	47,977
Bonds	4.9	10,368
Other	5.0	2,256
Total fair value of assets		60,601
Present value of scheme liabilities		(49,491)
Surplus in the scheme		11,110
Related deferred tax liability		(3,333)
Net pension asset		7,777

Over the year to 31 December 2001, contributions by the company of £1,474,000 were made to the Scheme. It has been agreed with the Scheme Trustees that company contributions will continue at 7.5% of pensionable pay at least until the results of the next formal funding valuation due as at 31 December 2003.

Defined Contribution scheme

The company also operates defined contribution schemes for the employees of CB Hillier Parker Management Services Limited and contributes to defined contribution individual pension plans of a number of senior staff. The assets of the schemes are held separately from those of the group. The total pension cost charge represents contributions payable by the group to the schemes and amounted to £817,000 (2000 - £759,000). Contributions totalling £27,486 (2000 - £13,714) were due to the schemes at the year end and are included in creditors falling due within one year.

20 Financial commitments

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	2001 £'000	2000 £'000
Leases which expire		
- within one year	1,278	153
- between two and five years	1,033	1,454
- after five years	2,431	2,415
	4,742	4,022

21 Contingent liabilities

The company holds a minority interest 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 addition, a number of current claims are subject to litigation and the outcome of that litigation is uncertain at this time.

The directors have made what they believe to be a prudent estimate of the company's share of the potential deficit based on current notified claims as advised by the professional managers of SURMIA.

22 Ultimate parent company

CBRE Stewardship, an unlimited company incorporated in the UK, is the parent company of the smallest group of which the company is a member and for which company financial statements are drawn up.

The directors regard CBRE Holdings Inc., a company incorporated in the United States, as the ultimate parent company and ultimate controlling party.

CBRE Holdings Inc., is the parent company of the largest group of which the company is a member and for which company financial statements are drawn up.

During the year, on 20 July 2001, CB Richard Ellis Services Inc., the former ultimate parent company was subject to a management buy out. As a result the ultimate parent company is now CBRE Holdings Inc.

Copies of the consolidated group financial statements for both CBRE Holdings Inc., and CBRE Stewardship are available from CB Hillier Parker Limited, 77 Grosvenor Street, London, W1K 3JT.

23 Related parties

As a subsidiary undertaking of CBRE Holdings Inc., the company has taken advantage of the exemption in Financial Reporting standard No.8 "Related party disclosures" from disclosing transactions with other members of the group headed by that company. There were no other transactions with related parties in the years ended 31 December 2001 or 31 December 2000 that require disclosure.