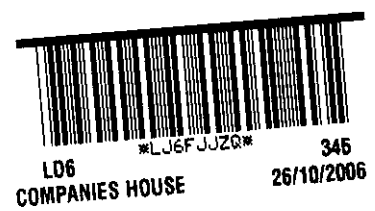


Company Registration No. 3536032

CB Richard Ellis Limited

Report and Financial Statements

31 December 2005



CB Richard Ellis Limited

Report and financial statements 2005

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CB Richard Ellis Limited

Report and financial statements 2005

Officers and professional advisers

Directors

M F Creamer
M J Strong
M Samworth
A C Froggatt (resigned 16 May 2005)
M Lubieniecki
B White
E Reiter (resigned 11 July 2005)
L H Midler (appointed 11 July 2005)
A J Lowth (appointed 26 January 2006)

Secretary

A Naftis

Registered Office

St Martin's Court
10 Paternoster Row
London
EC4M 7HP

Principal legal advisors

Wragge and Co LLP
55 Colmore Row
Birmingham
B3 2AS

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

CB Richard Ellis Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Activities and future prospects

The principal activity of the group continues to be the provision of property consultancy services.

The directors are of the opinion that the general level of activity will continue for the foreseeable future.

Financial risk management

The company has adopted risk management policies that seek to mitigate the financial risks as follows:

Financial assets and liabilities that expose the company to financial risk consist principally of cash, trade debtors and trade creditors. The financial instruments associated with these financial instruments are considered minimal.

The company places its cash in creditworthy institutions. The company performs ongoing credit evaluation of its customers' financial condition. The trade debtors are distributed in such a manner that the concentration of credit risk is not considered extraordinary.

The company is dependent on its related company for continued financial support and the directors are satisfied that the financial support will be available when required.

The carrying amounts of cash and bank balances, trade debtors and payables approximate their respective fair values due to the relatively short-term maturing of these financial instruments.

The directors are of the view that the company is not exposed to any significant interest rate, or inflation rate risks.

Results and dividends

The retained profit for the group after taxation for the year ended 31 December 2005 amounted to £16,784,000 (2004 profit restated - £8,101,000).

The retained profit for the company after taxation for the year ended 31 December 2005 amounted to £8,851,000 (2004 profit restated - £3,392,000).

The directors do not recommend the payment of a dividend (2004 - £nil).

Disabled employees

It is the group'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 group.

CB Richard Ellis Limited

Directors' report

Employee involvement

The directors recognise that the quality, commitment and motivation of its staff is crucial to the success of the group. 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 group. In addition staff social groups, catering for a wide range of leisure interests, are actively supported by the group.

Directors and their interests

The directors who served throughout the year and up to the date of this report, except as noted, are shown on page 1.

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, CB Richard Ellis Group Inc., at the balance sheet date were as follows:

Director	2005					2004	
	Number of options					Number of options	
	\$nil	\$46.275	\$33.45	\$22.39	\$5.77	\$22.39	\$5.77
A C Froggatt	-	-	-	15,000	49,885	20,000	83,141
M J Strong	1,200	12,000	-	20,000	49,885	20,000	77,141
M F Creamer	-	-	-	-	41,570	-	41,570
M Samworth	-	-	20,000	-	41,570	20,000	41,570
M Lubieniecki	1,200	12,000	-	-	24,942	-	41,570

The \$5.77 2003 options were granted on 16 September 2003 and become exercisable with respect to 20% of the shares on the first, second, third, fourth and fifth anniversaries of the date of grant.

The \$22.39 options were granted on 22 September 2004 and become exercisable with respect to 25% of the shares on the first, second, third and fourth anniversaries of the date of grant.

On 27 January 2005, options were granted with an exercisable price of \$33.45 per share. The options become exercisable with respect to 25% of the shares on the first, second, third and fourth anniversaries of the date of grant.

On 21 September 2005, options were granted with an exercisable price of \$46.275 per share. The options become exercisable with respect to 25% of the shares on the first, second, third and fourth anniversaries of the date of grant.

On 21 September 2005, restricted shares in CB Richard Ellis Group Inc, were granted at nil value. The shares become vestable with respect to 25% of the shares on the first, second, third and fourth anniversaries of the date of the grant.

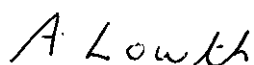
CB Richard Ellis Limited

Directors' report

Auditors

Pursuant to section 386 of the Companies Act 1985, as inserted by section 119 of the Companies Act 1989, an elective resolution has been passed, dispensing with the requirement to appoint auditors annually.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in cursive script that reads "A Lowth".

A Lowth
Director
25 October 2006

CB Richard Ellis Limited

Statement of directors' responsibilities

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of CB Richard Ellis Limited

We have audited the financial statements of CB Richard Ellis Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets and the related notes 1 to 23. *These financial statements have been prepared under the accounting policies set out therein.*

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are *responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).*

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report 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 other transactions with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and *consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.*

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company's and group'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 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.

Independent auditors' report to the members of CB Richard Ellis Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31 December 2005 and the profit of the group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

25 October 2006

CB Richard Ellis Limited

Consolidated profit and loss account Year ended 31 December 2005

		2005 Existing Operations £'000	2005 Acquisitions £'000	2005 Total £'000	2004 restated £'000
Turnover	Note 1,2				
Turnover (including share of joint venture)		196,104	5,287	201,391	172,393
Less: share of joint venture turnover		(1,426)	-	(1,426)	(968)
Group turnover		194,678	5,287	199,965	171,425
Operating expenses		(167,441)	(3,849)	(171,290)	(152,032)
Group operating profit	3				
Group operating profit (excluding share of joint venture)		27,237	1,438	28,675	19,393
Share of operating profit of joint venture		135	-	135	106
Operating profit including joint venture		27,372	1,438	28,810	19,499
Interest receivable and similar income	6			5,777	3,661
Interest payable and similar charges	7			(8,265)	(7,893)
Profit on ordinary activities before taxation				26,322	15,267
Tax charge on profit on ordinary activities	8			(9,509)	(7,118)
Share of tax charge on profit on ordinary activities of joint venture	8			(29)	(48)
Retained profit for the financial year				16,784	8,101
Retained deficit at the beginning of the year				(19,748)	(27,849)
Retained deficit at the end of the year				(2,964)	(19,748)

Consolidated statement of total recognised gains and losses

		2005 £'000	2004 restated £'000
	Note		
Profit for the financial year		16,784	8,101
Actuarial loss on defined benefit pension schemes	20	(20,518)	(10,055)
Deferred tax associated with defined benefit pension schemes		6,155	1,682
Currency translation difference on foreign currency net investments		10	(52)
Total recognised gains and losses relating to the year		2,431	(324)
Prior year adjustment for FRS17 – Profit and loss account	20	3,772	
Prior year adjustment for FRS17 – Pension reserve	20	(27,231)	
Total recognised gains and losses since last annual report		(21,028)	

CB Richard Ellis Limited

Consolidated balance sheet 31 December 2005

	Note	2005 £'000	2004 restated £'000
Fixed assets			
Goodwill	9	109,074	77,317
Tangible assets	10	15,257	14,229
Investment in joint venture			
Share of gross assets		518	390
Share of gross liabilities		(424)	(401)
Other investments	11	447	735
		<u>124,872</u>	<u>92,270</u>
Current assets			
Debtors: amounts falling due within one year	12	132,799	87,113
Debtors: amounts falling due after one year	12	1,710	1,285
Cash at bank and in hand		34,281	31,217
		<u>168,790</u>	<u>119,615</u>
Creditors: amounts falling due within one year	13	<u>(183,337)</u>	<u>(173,946)</u>
Net current liabilities		<u>(14,547)</u>	<u>(54,331)</u>
Total assets less current liabilities		110,325	37,939
Creditors: amounts falling due after more than one year	14	(34,041)	-
Provisions for liabilities and charges	15	<u>(17,013)</u>	<u>(18,476)</u>
Net assets excluding net pension liabilities		59,271	19,463
Net pension liabilities	20	<u>(32,209)</u>	<u>(19,514)</u>
Net assets/(liabilities) including net pension liabilities		<u>27,062</u>	<u>(51)</u>
Capital and reserves			
Called up equity share capital	16	6,000	-
Capital contribution	19	31,613	31,613
Share premium	17	33,954	15,272
Profit and loss account excluding pension reserve	18	(2,964)	(19,748)
Foreign exchange reserve		53	43
Pension reserve	20	<u>(41,594)</u>	<u>(27,231)</u>
Equity shareholders' funds/(deficit)	19	<u>27,062</u>	<u>(51)</u>

These financial statements were approved by the Board of Directors on 25 October 2006.

Signed on behalf of the Board of Directors

A. Lowth
A Lowth
Director

CB Richard Ellis Limited

Company balance sheet 31 December 2005

	Note	2005 £'000	2004 restated £'000
Fixed assets			
Goodwill	9	92,615	74,503
Tangible assets	10	12,730	14,219
Investments	11	23,370	1,628
		<u>128,715</u>	<u>90,350</u>
Current assets			
Debtors: amounts falling due within one year	12	83,239	75,921
Debtors: amounts falling due after one year	12	1,487	1,285
Cash at bank and in hand		30,938	1,773
		<u>115,664</u>	<u>78,979</u>
Creditors: amounts falling due within one year	13	(152,964)	(141,818)
Net current liabilities		<u>(37,300)</u>	<u>(62,839)</u>
Total assets less current liabilities		91,415	27,511
Creditors: amounts falling due after more than one year	14	(34,041)	-
Provisions for liabilities and charges	15	(16,474)	(18,476)
Net assets excluding net pension liabilities		40,900	9,035
Net pension liabilities	20	(32,209)	(19,514)
Net assets/(liabilities) including net pension liabilities		<u>8,691</u>	<u>(10,479)</u>
Capital and reserves			
Called up equity share capital	16	6,000	-
Capital contribution	19	31,613	31,613
Share premium	17	33,954	15,272
Profit and loss account excluding pension reserve	18	(15,451)	(24,302)
Pension reserve	20	(47,425)	(33,062)
Equity shareholders' funds/(deficit)	19	<u>8,691</u>	<u>(10,479)</u>

These financial statements were approved by the Board of Directors on 25 October 2006.

Signed on behalf of the Board of Directors

A Lowth
A Lowth
Director

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and applicable United Kingdom law and accounting standards. The principal accounting policies adopted within that convention are set out below. These are unchanged from the previous year with the exception of the adoption in full of FRS17 'Retirement Benefits', the effects of which are explained in note 20. A prior year adjustment of £27,231,000 is the cumulative prior year effect of this change of accounting policy and has been charged against reserves.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all material subsidiaries for financial year ended 31 December 2005.

The results of subsidiaries acquired or sold are consolidated for the period from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Excluded from the consolidation of the group is CB-SPUK 1 Limited, a subsidiary, which has been excluded as it is beneficially owned by Strategic Partners UK Fund 1 (a limited partnership). The group accounts for this company as a fixed asset investment.

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 a life of 20 years, being the directors' best estimate of its useful economic life. Provision is made for any impairment.

Turnover

Turnover comprises commissions and fees receivable in respect of services performed exclusive of Value Added Tax.

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% per annum on a straight line basis
Motor vehicles	25% per annum on a straight line basis

Fixed asset investments

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

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

1. Principal accounting policies (continued)

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.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profit and its results stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statement

No cash flow statement has been prepared, under the provision of FRS1 "Cash flow statements", on the basis that the company is a wholly owned subsidiary of CB Richard Ellis Group Inc., whose consolidated financial statements are publicly available and include a consolidated cash flow statement.

Pensions

The group adopted FRS17 "Retirement Benefits" in full with effect from 1 January 2005. The adoption of FRS17 has required a change to the accounting treatment of defined benefits pension arrangements, such that the group includes the assets and liabilities of those arrangements in the group's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

This has necessitated a restatement of the 2004 results. Details of the restatement are shown in note 20.

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.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

2. Turnover

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

Geographical summary by destination of turnover is stated below:

	Turnover	
	2005	2004
	£'000	£'000
United Kingdom	176,168	161,279
Europe	20,750	9,467
Middle East	181	163
Others	4,292	1,484
	<u>201,391</u>	<u>172,393</u>

The group's turnover includes £196m which originates in the United Kingdom and £5m which originates in the Republic of Ireland.

3. Group operating profit

	2005	2004
	£'000	£'000
Group operating profit on ordinary activities is stated after charging:		
Depreciation:		
Owned assets	2,720	2,701
Leased assets	1	1
Operating exceptionals (including onerous lease provisions)	1,996	4,505
Amortisation of goodwill	4,973	4,973
Auditors' remuneration for audit services	214	252
Auditors' remuneration for non audit work	149	49
Operating leases:		
Plant and machinery	336	189
Other	<u>6,224</u>	<u>6,036</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

4. Directors' remuneration

	2005 £'000	2004 £'000
Remuneration		
Emoluments	9,883	4,246
Company contributions to money purchase pension schemes	212	92
	<u>10,095</u>	<u>4,338</u>

Pensions

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

	No.	No.
Money purchase schemes	2	3
Final salary schemes	8	6
	<u>10</u>	<u>9</u>

	£'000	£'000
Highest paid director		
Emoluments	1,507	910
Company contributions to money purchase pension schemes	-	-
	<u>1,507</u>	<u>910</u>

5. Employment costs (including directors)

	2005 £'000	2004 restated £'000
Wages and salaries	108,232	94,942
Social security costs	13,210	11,111
Pension costs (see note 20)	5,472	1,300
	<u>126,914</u>	<u>107,353</u>

The average monthly number of employees (including directors) was:

	Average 2005 No.	Average 2004 No.
Professional staff	825	773
Administrative staff	478	461
Site staff	341	477
	<u>1,644</u>	<u>1,711</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

6. Interest receivable and similar income

	2005	2004 restated
	£'000	£'000
Bank interest receivable	2,017	1,135
Intercompany interest receivable	807	288
Other interest income	2,176	1,340
Net credit re financing of retirement benefits	777	898
	<u>5,777</u>	<u>3,661</u>

7. Interest payable and similar charges

	2005	2004
	£'000	£'000
Bank interest	1,616	873
Intercompany interest payable	5,349	5,397
Other interest expense	1,300	1,623
	<u>8,265</u>	<u>7,893</u>

8. Tax charge on profit on ordinary activities

	2005	2004
	£'000	£'000
Current tax		
UK corporation tax	7,931	5,820
Adjustments in respect of prior periods	423	(720)
Total current tax	<u>8,354</u>	<u>5,100</u>
Deferred tax		
Origination and reversal of timing differences	2,516	2,066
Capital allowances	3	-
Recoverable Advance Corporation Tax	10	-
Adjustments in respect of prior periods	(1,345)	-
Total deferred tax	<u>1,184</u>	<u>2,066</u>
Total tax charge on profit on ordinary activities	<u>9,538</u>	<u>7,166</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

8. Tax charge on profit on ordinary activities (continued)

	2005 restated £'000	2004 restated £'000
Deferred tax reconciliation (excluding deferred tax in relation to pension schemes)		
Opening deferred tax asset (see note 12)	(1,285)	(3,295)
Charge to the profit and loss account	468	2,010
Amounts arising on acquisition of business	(939)	-
Adjustments in respect of prior periods	46	-
	<u>(1,710)</u>	<u>(1,285)</u>
Closing deferred tax asset (see note 12)	<u>(1,710)</u>	<u>(1,285)</u>

The deferred tax excluding pension schemes, in the profit and loss account, for the year ended 31 December 2005 amounted to £468,000 (2004: £2,010,000). The deferred tax in respect to pension schemes, in the profit and loss account, for the year ended 31 December 2005 amounted to £716,000 (2004: £56,000). The total deferred tax in the profit and loss account for the year ended 31 December 2005 amounted to £1,184,000 (2004: £2,066,000).

There are no unprovided deferred tax assets and liabilities as at 31 December 2005 (2004 - £nil).

The difference between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	26,322	15,267
Tax @ 30% (2004 - 30%)	7,897	4,580
Effects of:		
Expenses not deductible for tax purposes	2,780	5,935
Capital allowances in excess of depreciation	(54)	(416)
Other fixed asset differences	(331)	-
Income not taxable	-	(17)
Other deferred tax movements	(836)	(776)
Tax losses (carried forward)/utilised	(1,525)	(3,486)
Adjustments to tax charge in respect of previous periods	423	(720)
Total current tax	<u>8,354</u>	<u>5,100</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 January 2005	93,059	87,230
Additions	36,730	22,473
	<hr/>	<hr/>
At 31 December 2005	129,789	109,703
	<hr/>	<hr/>
Amortisation		
At 1 January 2005	15,742	12,727
Charge for the year	4,973	4,361
	<hr/>	<hr/>
At 31 December 2005	20,715	17,088
	<hr/>	<hr/>
Net book value		
At 31 December 2005	109,074	92,615
	<hr/>	<hr/>
At 31 December 2004	77,317	74,503
	<hr/>	<hr/>

At the end of 2004 the group owned 10% of the issued share capital in CB Richard Ellis Gunne, a company incorporated in the Republic of Ireland the cost of which was £279,000. On 1 September 2005 the company acquired the entire issued share capital in Mareagle, a company incorporated in the Republic of Ireland. Mareagle owns the remaining 90% of CB Richard Ellis Gunne. The goodwill arising in the group on the consolidation of Mareagle and its subsidiary undertakings is included above and in note 11 of these financial statements.

On 31 October 2005 the company acquired 100% of the issued share capital in Dalglish & Co Limited for a cash consideration of £23,560,000. On the same day, the trade, assets and liabilities were transferred to CB Richard Ellis Limited giving rise to goodwill in the company of £22,473,000 as explained in note 11.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

9. Goodwill (continued)

The following table below sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Mareagle £'000	Dagleish £'000	Group £'000
Tangible fixed assets	184	206	390
Investments	-	10	10
Debtors	3,881	7,891	11,772
Cash	3,202	5,684	8,886
Creditors	(3,711)	(13,437)	(17,148)
	<u>3,556</u>	<u>354</u>	<u>3,910</u>
Fair value adjustment	<u>-</u>	<u>733</u>	<u>733</u>
Fair value to group	<u>3,556</u>	<u>1,087</u>	<u>4,643</u>
Goodwill	<u>14,257</u>	<u>22,473</u>	<u>36,730</u>
	<u>17,813</u>	<u>23,560</u>	<u>41,373</u>
Satisfied by			
Cash	17,534	23,560	41,094
Prior year investment	279	-	279
	<u>17,813</u>	<u>23,560</u>	<u>41,373</u>

The fair value adjustment represents a reduction to fixed assets of £206,000 and recognition of a deferred tax asset in relation to tax losses of £939,000.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

10. Tangible fixed assets

Group

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2005	7,532	11,564	53	19,149
Acquisitions (CB Richard Ellis Gunne and CB Richard Ellis N.I. Limited)	16	168	0	184
Additions	1,365	2,495	13	3,873
Disposals	-	(769)	(53)	(822)
At 31 December 2005	8,913	13,458	13	22,384
Accumulated depreciation				
At 1 January 2005	575	4,302	43	4,920
Charge for the year	403	2,317	1	2,721
Disposals	-	(471)	(43)	(514)
At 31 December 2005	978	6,148	1	7,127
Net book value				
At 31 December 2005	7,935	7,310	12	15,257
At 31 December 2004	6,957	7,262	10	14,229

Company

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2005	7,532	10,159	25	17,716
Additions	103	2,059	-	2,162
Transfer to CB Richard Ellis Investors	(602)	(246)	-	(848)
Disposals	-	(769)	(25)	(794)
At 31 December 2005	7,033	11,203	-	18,236
Accumulated depreciation				
At 1 January 2005	575	2,907	15	3,497
Charge for the year	344	2,286	-	2,630
Transfer to CB Richard Ellis Investors	(56)	(79)	-	(135)
Disposals	-	(471)	(15)	(486)
At 31 December 2005	863	4,643	-	5,506
Net book value				
At 31 December 2005	6,170	6,560	-	12,730
At 31 December 2004	6,957	7,252	10	14,219

The net book value of assets held under finance leases and hire purchase agreements in the company and the group is £nil (2004: £10,000).

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

11. Fixed asset investments

Investments	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Shares in subsidiaries	-	-	23,360	1,628
Other investments	447	735	10	-
	<u>447</u>	<u>735</u>	<u>23,370</u>	<u>1,628</u>

Principal group investments

The parent company and the group have investments in the following subsidiary undertakings and other investments which principally affected the profits or net assets of the group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Principal subsidiaries	Principal activity	Holding No. of shares	Proportion of ordinary share capital %
CB Richard Ellis Europe Limited	Investment holding	23,449,608	100
CBRE Limited	Property services	8,769,749	100
CB Richard Ellis Loan Servicing Limited	Property services	1	100
CB Richard Ellis Indirect Investment Services Limited	Financial services	50,000	100
CB Richard Ellis Management Services Limited	Management services	2	100
CB Richard Ellis Financial Services Limited	Financial services	10,000	100
CBRE European Treasury Limited	Treasury management services	2	100
CB Richard Ellis Investors UK Holdings Limited	Investment holding	50	100
CB Richard Ellis Corporate Capital Limited (formerly Insignia Richard Ellis Corporate Capital Limited)	Finance and investment	4,223,498	100
Dalglish & Co Limited	Property services	135,000	100
Fintan Limited	Investment holding	10	100
Mareagle	Investment holding	132,000	100

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

11. Fixed asset investments (continued)

Principal subsidiaries	Principal activity	Holding No. of shares	Proportion of ordinary share capital %
CB-SPUK 1 Limited	Property consultancy	1	100
CB Richard Ellis Gunne	Property services	1,000	100
CB Richard Ellis N.I. Limited	Property services	93,100	98
Joint venture undertakings			
CBRE Hamptons International Limited (formerly) CB Richard Ellis Hamptons International Limited	Property Consultancy	500	100
Pathway Europe Limited	Internet advertising	300	50

All of the principal subsidiary undertakings and joint venture undertakings are incorporated in Great Britain except for Mareagle and CB Richard Ellis Gunne which are incorporated in Ireland. CB Richard Ellis N.I. Limited is incorporated in Northern Ireland.

CB-SPUK 1 Limited is owned beneficially by Strategic Partners UK Fund 1 (a limited partnership).

Subsidiary undertakings:

	Company £'000
Cost and net book value:	
At 1 January 2005	1,628
Additions	44,455
Transfers	(150)
Impairment	(22,573)
At 31 December 2005	<u>23,360</u>

Group reorganisation and transfer of subsidiary undertakings

On 13 January 2005, the investments in the share capital of CB Richard Ellis Collective Investors Limited, CB Richard Ellis Investors Limited, SPUK (GP1) Limited, CB SPUK Investment Adviser Limited and CB Richard Ellis Investor Partner Limited were transferred in full for £50 to CB Richard Ellis Investors UK Holdings Limited.

On 13 January 2005, an additional 49 £1 ordinary shares were issued to CB Richard Ellis Investors UK Holdings Limited.

On 15 February 2005 CBRE Middle East Limited, a subsidiary of CB Richard Ellis Limited, was legally dissolved.

On 12 April 2005, the investment in the share capital of Fintan Limited was transferred in full at the cost value of £10 from CB Richard Ellis Europe Limited.

CB Richard Ellis Limited

Notes to the accounts

Year ended 31 December 2005

11. Fixed asset investments (continued)

On 12 April 2005, the investment in the share capital of CB Richard Ellis Indirect Investment Services Limited was transferred in full at the cost value of £50,000 from CB Richard Ellis Europe Limited.

On 12 April 2005, the investment in the share capital of Insignia Richard Ellis Corporate Capital Limited was transferred in full at the cost value of £4,223,498 from Insignia REFS Holdings Limited.

On 12 April 2005 the investment in the share capital of CB Richard Ellis Financial Limited was transferred in full at the cost value of £133,000 from Insignia Richard Ellis Financial Holdings Limited.

On 2 June 2005 CB Richard Ellis Loan Servicing was incorporated with issued share capital of £1.

On 26 July 2005 Paternoster Investments, a subsidiary of CB Richard Ellis Limited, was legally dissolved.

On 23 August 2005 St. Quintin Holdings Limited and its subsidiary companies St. Quintin (Management Services) Limited and St. Quintin Facility Managers Limited were legally dissolved.

On 1 September 2005 all of the issued share capital of Mareagle was acquired for the sum of £17,533,824.

On 31 October 2005 all of the issued share capital of Dalglish & Co Limited was acquired for the sum of £23,560,000.

Other investments:

Cost and net book value:	Group £'000	Company £'000
At 1 January 2005	735	-
Additions	10	10
Return of capital	(19)	-
Group reorganisation	(279)	-
At 31 December 2005	<u>447</u>	<u>10</u>

On 31 October 2005, following the acquisition of Dalglish & Co Limited the trade, assets and liabilities were transferred into CB Richard Ellis Limited. This transfer of business necessitated an impairment to the investment held by CB Richard Ellis Limited. The impairment of £22,473,000 gives a reduction to the investment and accordingly resulted in an increase to the goodwill balance held by CB Richard Ellis Limited at 31 December 2005.

Included in the Dalglish & Co Limited assets transferred to CB Richard Ellis Limited was an investment in Blacks Leisure Group (less than 1% of the issued share capital). This investment was transferred at the cost price of £10,000.

During the year the Strategic Partners UK Fund 1 returned capital to its investors following the disposal of an investment property portfolio. The gain arising on this return has been recognised in the year.

The group reorganisation reflects the investment in CB Richard Ellis Gunne which has now been consolidated into the group as a result of the acquisition of Mareagle.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

12. Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	68,242	56,127	57,967	48,672
Amounts owed by ultimate parent undertaking	5,477	1,316	5,477	1,316
Amounts owed by subsidiary undertakings	-	-	5,951	4,839
Amounts owed by fellow group undertakings	47,176	22,033	6,246	12,679
Corporation tax receivable	-	-	-	922
Other debtors	5,579	2,765	3,072	2,755
Prepayments	6,325	4,872	4,526	4,738
	<u>132,799</u>	<u>87,113</u>	<u>83,239</u>	<u>75,921</u>

	Group		Company	
	2005	2004	2005	2004
	£'000	restated £'000	£'000	restated £'000
Amounts falling due after more than one year:				
Deferred tax asset	<u>1,710</u>	<u>1,285</u>	<u>1,487</u>	<u>1,285</u>

Deferred taxation provided in the financial statements is as follows:

	Group		Company	
	2005	2004	2005	2004
	£'000	restated £'000	£'000	restated £'000
Capital allowances in excess of depreciation	(311)	(308)	(308)	(308)
Losses	1,344	405	1,344	405
Other	168	679	(58)	679
Unpaid interest	<u>509</u>	<u>509</u>	<u>509</u>	<u>509</u>
Deferred tax asset	<u>1,710</u>	<u>1,285</u>	<u>1,487</u>	<u>1,285</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

13. Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Obligations under finance leases	-	41	-	41
Bank overdraft	12,240	17,540	12,240	17,540
Trade creditors	2,882	1,852	2,862	1,801
Amounts owed to fellow group undertakings	71,726	90,462	36,988	46,025
Amounts owed to subsidiary undertakings	-	-	28,589	21,835
Corporation tax	6,136	6,496	1,184	-
Other taxation and social security:				
Social security	10,015	4,326	9,242	4,001
Other taxes	5,399	4,064	4,267	3,389
Other creditors	20,751	4,051	9,962	2,212
Accruals and deferred income	54,188	45,114	47,630	44,974
	<u>183,337</u>	<u>173,946</u>	<u>152,964</u>	<u>141,818</u>

14. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Amounts owed to fellow group undertakings	<u>34,041</u>	<u>-</u>

A loan for £34,041,298 owed to CBRE Luxembourg Finance SARL is repayable on 19 December 2013 at an annual rate equal to LIBOR plus 5.079%.

15. Provisions for liabilities and charges

	Group		Company	
	2005 £'000	2004 restated £'000	2005 £'000	2004 restated £'000
Provisions for annuities	2,200	2,260	2,200	2,260
Provisions for onerous leases	12,849	13,374	12,310	13,374
Other provisions	1,964	2,842	1,964	2,842
	<u>17,013</u>	<u>18,476</u>	<u>16,474</u>	<u>18,476</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

15. Provisions for liabilities and charges (continued)

Group	At 1 January 2005 £'000	Additions/ deletions £'000	Utilised £'000	Imputed interest £'000	At 31 December
Provisions for annuities	2,260	4	(298)	234	2,200
Provisions for onerous leases	13,374	2,620	(4,212)	1,067	12,849
Other provisions	2,842	(878)	-	-	1,964
	<u>18,476</u>	<u>1,746</u>	<u>(4,510)</u>	<u>1,301</u>	<u>17,013</u>
Company					
Provision for annuities	2,260	4	(298)	234	2,200
Provisions for onerous leases	13,374	2,081	(4,212)	1,067	12,310
Other provisions	2,842	(878)	-	-	1,964
	<u>18,476</u>	<u>1,207</u>	<u>(4,510)</u>	<u>1,301</u>	<u>16,474</u>

Annuities are amounts payable to certain former equity partners of Richard Ellis and St Quintin.

Provisions for annuities become payable between 1 and 15 years. Provisions for onerous leases become payable between 1 and 19 years.

Other provisions include a provision for potential professional indemnity claims that arise in the ordinary course of business.

16. Equity share capital

	2005 £	2004 £
Authorised:		
7,000,000 (2004: 7,000,000) ordinary shares of £1 each	<u>7,000,000</u>	<u>7,000,000</u>
Allotted, called up and fully paid:		
6,000,104 (2004: 102) ordinary shares of £1 each	<u>6,000,104</u>	<u>102</u>

On 20 January 2005 the company issued 6,000,000 ordinary shares of £1 in the issued share capital of the company to CB Richard Ellis Commercial Limited as part of the ownership and capital restructuring for £6,000,000.

On 21 October 2005 the company issued 1 ordinary share of £1 in the issued share capital of the company to CB Richard Ellis Services Inc for £7,181,877.

On 7 November 2005 the company issued 1 ordinary share of £1 in the issued share capital of the company to CB Richard Ellis Services Inc for £11,500,000.

On 12 December 2005 the 6,000,101 shares held by CB Richard Ellis Commercial Limited were transferred to CB Richard Ellis Inc.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

17. Share premium

	£000
At 1 January 2005	15,272
Increase during the year	18,682
At 31 December 2005	<u>33,954</u>

18. Profit and loss account

Group	£'000
At 1 January 2005 (restated)	(19,748)
Retained profit for the year	16,784
At 31 December 2005	<u>(2,964)</u>
Company	
At 1 January 2005 (restated)	(24,302)
Retained profit for the year	8,851
At 31 December 2005	<u>(15,451)</u>

The profit for the financial year dealt with in the financial statements of the parent company was £8,851,000 (2004: profit restated - £3,392,000). As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the company.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

19. Reconciliation of movements in equity shareholders' funds

							2005	2004
	Share capital £'000	Capital contribution £'000	Share premium £'000	Profit and loss account restated £'000	Foreign exchange reserve £'000	Pension reserve restated £'000	Total equity shareholders' funds/(deficit) restated £'000	Total equity shareholders' funds/(deficit) Restated £'000
Group								
At 1 January	-	31,613	15,272	(19,748)	43	(27,231)	(51)	14,018
Increase in share capital	6,000	-	-	-	-	-	6,000	-
Increase in share premium	-	-	18,682	-	-	-	18,682	-
Profit for the year	-	-	-	16,784	-	-	16,784	8,101
Exchange on foreign currency net investments	-	-	-	-	10	-	10	(52)
Increase in pension reserve	-	-	-	-	-	(14,363)	(14,363)	(27,231)
Additional capital contribution	-	-	-	-	-	-	-	5,113
At 31 December	<u>6,000</u>	<u>31,613</u>	<u>33,954</u>	<u>(2,964)</u>	<u>53</u>	<u>(41,594)</u>	<u>27,062</u>	<u>(51)</u>

							2005	2004
	Share capital £'000	Capital contribution £'000	Share premium £'000	Profit and loss account restated £'000	Foreign exchange reserve £'000	Pension Reserve restated £'000	Total equity shareholders' funds/(deficit) restated £'000	Total equity shareholders' funds/(deficit) Restated £'000
Company								
At 1 January	-	31,613	15,272	(24,302)	-	(33,062)	(10,479)	14,078
Increase in share capital	6,000	-	-	-	-	-	6,000	-
Increase in share premium	-	-	18,682	-	-	-	18,682	-
Profit for the year	-	-	-	8,851	-	-	8,851	3,392
Increase in pension reserve	-	-	-	-	-	(14,363)	(14,363)	(33,062)
Additional capital contribution	-	-	-	-	-	-	-	5,113
At 31 December	<u>6,000</u>	<u>31,613</u>	<u>33,954</u>	<u>(15,451)</u>	<u>-</u>	<u>(47,425)</u>	<u>8,691</u>	<u>(10,479)</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions

Defined benefit schemes

The Group operates three defined benefit pension schemes, the CB Hillier Parker Pension Scheme, the Richard Ellis St Quintin Retirement Fund, and the CB Hillier Parker Management Services Pension and Life Assurance Plan. All three pension schemes are closed to new members.

The assets of each Scheme are held in trustee administered funds, separated from the group's own resources. Contributions to the schemes are determined by independent qualified actuaries on the basis of periodic valuations using the projected unit method.

The group adopted FRS17 "Retirement Benefits" in full with effect from 1 January 2005. The adoption of FRS17 has required a change to the accounting treatment of defined benefits pension arrangements, such that the group includes the assets and liabilities of those arrangements in the group's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

A summary of the actuarial loss, pension liability and pension reserve for the three schemes can be found below;

	Actuarial loss		Pension liability		Pension reserve	
	2005	2004	2005	2004	2005	2004
		restated		restated		restated
	£'000	£'000	£'000	£'000	£'000	£'000
CB Hillier Parker Pension Scheme	12,915	6,179	25,532	13,880	35,637	23,265
Richard Ellis St Quintin Retirement Fund	7,666	3,733	20,184	13,662	17,774	11,204
CB Hillier Parker Management Services Pension and Life Assurance	(63)	143	295	335	169	275
Less: deferred tax	-	-	(13,802)	(8,363)	(6,155)	(1,682)
Company	20,518	10,055	32,209	19,514	47,425	33,062
Less: amount net of deferred tax booked to goodwill on acquisition	-	-	-	-	(5,831)	(5,831)
Group	20,518	10,055	32,209	19,514	41,594	27,231

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

As a result of adopting FRS17 the prior year results have been restated as follows:

Group

Profit and loss account

	Operating expenses £'000	Interest receivable and similar income £'000
31 December 2004		
As previously stated	(154,906)	2,763
Adoption of FRS17	2,874	898
As restated	<u>(152,032)</u>	<u>3,661</u>

Balance sheet

	Debtors: amounts falling due after one year £'000	Provisions for liabilities and charges £'000	Net pension liabilities £'000	Profit and loss account £'000	Pension reserve £'000
31 December 2004					
As previously stated	17,062	(30,308)	-	(23,520)	-
Adoption of FRS17	(15,777)	11,832	(19,514)	3,772	(27,231)
As restated	<u>1,285</u>	<u>(18,476)</u>	<u>(19,514)</u>	<u>(19,748)</u>	<u>(27,231)</u>

Company

Balance sheet

	Debtors: amounts falling due after one year £'000	Provisions for liabilities and charges £'000	Net pension liabilities £'000	Profit and loss account £'000	Pension reserve £'000
31 December 2004					
As previously stated	14,425	(22,286)	-	(28,520)	-
Adoption of FRS17	(13,140)	3,810	(19,514)	4,218	(33,062)
As restated	<u>1,285</u>	<u>(18,476)</u>	<u>(19,514)</u>	<u>(24,302)</u>	<u>(33,062)</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

CB Hillier Parker Pension Scheme

The last funding valuation was at 31 December 2003 and this has been updated to 31 December 2005 by an independent qualified actuary. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method. Assets have been valued at market value. The valuation shows that the market value of the Scheme's assets was £87,629,000 and represented 77% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The employer contribution for the year was £3,012,000 based on 12.5% of monthly pensionable salaries plus an additional contribution of £1,035,000 in December 2005. Employee contributions were 6% to 8%, depending on the accrual rate selected by the individual members.

The pension charge to the group for the year from the Scheme was £1,749,000 (2004: £2,465,000).

The following tables set out the key FRS 17 assumptions used for the Scheme. The tables also set out as at 31 December 2005 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit of assets below the FRS 17 liabilities.

Assumptions

	2005 % pa	2004 % pa	2003 % pa
Rate of increase in salaries	4.0	3.9	4.7
Rate of increase in pensions in payment	3.0	2.9	2.7
Discount rate	4.7	5.4	5.6
Inflation assumption	3.0	2.9	2.7

Scheme assets

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:

	2005 % pa	2005 £'000	2004 % pa	2004 £'000	2003 % pa	2003 £'000
Equities	7.0	71,426	8.5	56,760	9.2	50,639
Bonds	4.0	10,820	4.5	8,121	4.8	7,344
Property	6.0	4,197	6.5	3,578	7.0	2,835
Other	4.5	1,186	4.5	1,395	4.6	551
Total fair value of assets		87,629		69,854		61,369
Present value of schemes liabilities		(113,161)		(83,734)		(73,438)
Deficit in the scheme		(25,532)		(13,880)		(12,069)
Related deferred tax assets		7,659		4,164		3,621
Net pension liability		(17,873)		(9,716)		(8,448)

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

The post retirement deficit under FRS 17 moved over the year as follows:

	2005 £'000	2004 £'000
Pension scheme deficit at 1 January	(13,880)	(12,069)
Current service cost (employee and employer)	(3,929)	(4,239)
Contributions (employee and employer)	4,190	3,038
Vested past service cost	-	4,458
Other net finance income	1,002	1,111
Actuarial loss	(12,915)	(6,179)
Pension scheme deficit 31 December	<u>(25,532)</u>	<u>(13,880)</u>

Analysis of other pension costs charged in arriving at operating profit:

	2005 £'000	2004 £'000
Current service cost (employer's part only)	2,751	3,104
Past service cost	-	(4,458)
Total operating charge/(credit)	<u>2,751</u>	<u>(1,354)</u>

Analysis of amounts included in other finance costs:

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(5,587)	(5,300)
Interest on post retirement liabilities	4,585	4,189
Net return to credit to finance income	<u>(1,002)</u>	<u>(1,111)</u>

Analysis of amount recognised in statement of total recognised gains and losses:

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Actual return less expected return on scheme assets	9,552	1,633	5,215	(15,699)
Percentage of scheme's assets	11%	2%	8%	(31%)
Experience losses arising on scheme's liabilities	(1,392)	(599)	1,288	(2,488)
Percentage of the FRS 17 value of the scheme's liabilities	(1%)	(1%)	2%	(4%)
Loss due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(21,075)	(7,213)	(6,379)	(3,353)
Percentage of the FRS 17 value of the scheme's liabilities	(19%)	(9%)	(9%)	(5%)
Actuarial loss recognised in the statement of total recognised gains and losses.	<u>(12,915)</u>	<u>(6,179)</u>	<u>124</u>	<u>(21,540)</u>

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

The Scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

Richard Ellis St Quintin Retirement Fund

The scheme was closed to new entrants in April 1997 for the Richard Ellis scheme and March 1998 for the St Quintin scheme, but existing active members continue to accrue future service benefits under the rules of the scheme. In addition a small number of former Richard Ellis directors who are currently in service are granted salary linkage on their accrued deferred pensions up to the date their employment ends.

The total company contributions to the scheme amounted to £2,000,000 (2004: £871,000). Employee contributions were 6.5%.

The pension charge for the year was £479,000 (2004: £367,000) and the valuation shows that the market value of the schemes assets was £42,126,000 and represented 68% of the benefits that had accrued to members.

The last funding valuation was at 31 December 2004 and this has been updated to 31 December 2005 by an independent qualified actuary. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.

The following tables set out the key FRS 17 assumptions used for the Scheme. The tables also set out as at 31 December 2005 the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the deficit of assets below the FRS 17 liabilities.

Assumptions

The major assumptions used in this valuation were:

	2005 % pa	2004 % pa	2003 % pa
Rate of inflation	3.0	2.9	2.8
Rate of general increase in salaries	4.0	4.4	4.3
Rate of increase to pensions in payment and deferred pensions in line with RPI up to 5%	3.3	3.2	2.6
Discount rate for scheme liabilities	4.7	5.4	5.6

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

Scheme assets

The following table shows the proportion that the assets are held by class of assets with the expected rate of return for that class of asset. The proportions are calculated by reference to the fair value of the assets.

	2005		2004		2003	
	Proportion of assets %	Long term rate of return expected % pa	Proportion of assets %	Long term rate of return expected % pa	Proportion of assets %	Long term rate of return expected % pa
Equities	51.80	7.00	54.10	8.60	60.50	7.80
Bonds	47.90	4.35	45.50	5.00	39.40	5.10
Cash	0.30	4.50	0.40	4.75	0.10	3.75
Total	100.00	5.70	100.00	6.90	100.00	6.70

	2005 £'000	2004 £'000	2003 £'000
Fair value of scheme assets	42,126	35,684	30,051
Present value of scheme liabilities	(62,310)	(49,347)	(40,065)
Deficit in the scheme	(20,184)	(13,663)	(10,014)
Deferred tax asset	6,055	4,099	3,004
Net pension liability	(14,129)	(9,564)	(7,010)

	2005 £'000	2004 £'000
Movement in deficit during the year		
Deficit in scheme at beginning of year	(13,663)	(10,014)
Movement in year:		
Current service cost	(681)	(481)
Contributions	2,028	871
Past service cost	-	(96)
Other finance cost	(202)	(210)
Actuarial loss	(7,666)	(3,733)
Deficit in scheme at end of year	(20,184)	(13,663)

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

Analysis of other pension costs charged in arriving at operating profit:

	2005 £'000	2004 £'000
Current service cost	681	481
Past service cost	-	96
Total operating charge	681	577

Analysis of amounts included in other finance costs:

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(2,260)	2,018
Interest on pension scheme liabilities	2,462	(2,228)
Net cost	202	(210)

Analysis of amount recognised in statement of total recognised gains and losses:

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Actual return less expected return on scheme assets	3,393	1,007	2,095	(5,698)
Percentage of scheme's assets	8%	3%	7%	(21%)
Experience losses arising on scheme's liabilities	(406)	1,326	(377)	186
Percentage of the FRS 17 value of the scheme's liabilities	(1%)	3%	(1%)	0%
Loss due to changes in assumptions underlying the FRS 17 value of scheme liabilities	(10,653)	(6,066)	297	(1,863)
Percentage of the FRS 17 value of the scheme's liabilities	(17%)	(12%)	1%	(5%)
Actuarial loss recognised in the statement of total recognised gains and losses.	(7,666)	(3,733)	2,015	(7,375)

CB Hillier Parker Management Services Pension and Life Assurance Plan

There are no active members of the scheme and the company gave notice to the trustees in 2002 that it would cease making contributions to the scheme with effect from August 2002, causing the scheme to enter winding-up.

The latest actuarial valuation for the scheme trustees was 30 April 1999 and this has been updated to 31 December 2005 by an independent qualified actuary. Assets have been valued at market value and the liabilities have been calculated on a Minimum Funding Requirement basis. The valuation shows that the market value of the schemes assets was £1,788,000 and represented 86% of the benefits that had accrued to members.

The latest actuarial valuation was updated to 31 December 2005, by an independent qualified actuary in accordance with FRS17. Investments have been valued for this purpose, at fair value.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

The major assumptions used for the actuarial valuation were:

	2005 % pa	2004 % pa	2003 % pa
Rate of increase in pensions in payment	2.55	2.65	2.50
Discount rate	4.80	5.30	5.40
Inflation assumption	2.80	2.90	2.75

The fair value of assets in the scheme and the present value of the liabilities are shown below. The assets are held in an insured agreement with Norwich Union and the expected bonus rate is 4.55% (2004: 5%, 2003: 6%).

	2005 £'000	2004 £'000	2003 £'000
Equities	148	98	154
Bonds/fixed interest	1,602	1,470	881
Other	38	171	156
Total fair value of assets	1,788	1,739	1,191
Present value of scheme liabilities	(2,083)	(2,074)	(1,380)
Deficit in the scheme	(295)	(335)	(189)
Deferred tax asset	88	100	57
Net pension liability	(207)	(235)	(132)

	2005 £'000	2004 £'000
Movement in deficit during the year		
Deficit in scheme at beginning of year	(335)	(189)
Movement in year:		
Net Finance cost	(23)	(3)
Actuarial gain/(loss)	63	(143)
Deficit in scheme at end of year	(295)	(335)

The company has not made any contributions since July 2002.

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

20. Pensions (continued)

There were no other pension costs charged in arriving at operating profit during the current or preceding year.

Analysis of amounts included in other finance costs:

	2005 £'000	2004 £'000
Expected return on pension scheme assets	(86)	71
Interest on pension scheme liabilities	109	(74)
Net finance cost	23	(3)

Analysis of amount recognised in statement of total recognised gains and losses:

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Actual return less expected return on scheme assets	2	(41)	(26)	(21)
Percentage of scheme's assets	1%	(3%)	(2%)	(2%)
Experience losses arising on scheme's liabilities	(171)	50	(4)	81
Percentage of the FRS 17 value of the scheme's liabilities	(8%)	3%	(0%)	6%
Loss due to changes in assumptions underlying the FRS 17 value of scheme liabilities	232	(152)	17	(121)
Percentage of the FRS 17 value of the scheme's liabilities	(11%)	(10%)	1%	1%
Actuarial loss recognised in the statement of total recognised gains and losses.	63	(143)	(13)	(61)

Defined Contribution Schemes

The group operates three defined contribution schemes. It also makes contributions to group personal pension plans and holds an insurance policy to provide death-in-service benefits to pension scheme members. The assets of all schemes are held separately from those of the company and are administered by trustees.

The group operates a defined contribution scheme for employees of CB Richard Ellis Limited. The scheme was closed in June 2001 and the liability for these members has been substantially extinguished from the scheme by payment of transfer values either to an arrangement of the member's choice or to a Section 32 policy with Friends Provident established by the Trustees. The total pension charge for the year was £nil (2004: £nil).

The group operates two defined contribution schemes for employees of CB Richard Ellis Management Services Limited. The total pension charge for the year was £396,000 (2004: £398,000).

The total pension charge for the year for group personal plans was £1,644,000 (2004: £1,419,000).

The premium paid for the death-in-service insurance in the year was £119,000 (2004: £119,000).

CB Richard Ellis Limited

Notes to the accounts Year ended 31 December 2005

21. Financial commitments

At 31 December the group had annual commitments under non-cancellable operating leases as set out below:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	22	139	96	169
Between two and five years	1,099	625	465	383
After five years	9,279	310	10,787	298
	<u>10,400</u>	<u>1,074</u>	<u>11,348</u>	<u>850</u>

22. Immediate and Ultimate parent company

CB Richard Ellis Limited is the parent company of the smallest group of which the company is a member and has therefore presented group financial statements.

The directors regard CB Richard Ellis Inc, a company incorporated in the United States, as the immediate parent company.

The directors regard CB Richard Ellis Group Inc., a company incorporated in the United States, as the ultimate parent company and ultimate controlling party.

CB Richard Ellis Group Inc., is the parent company of the largest group of which the company is a member and for which group financial statements are drawn up.

Copies of the consolidated group financial statements for CB Richard Ellis Group Inc. are available from CB Richard Ellis Limited, St Martin's Court, 10 Paternoster Row, London EC4M 7HP.

23. Related parties

As a subsidiary undertaking of CB Richard Ellis Group 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 year ended 31 December 2005 or 31 December 2004 that require disclosure.