

CBRE Corporate Outsourcing Limited

Directors' Report and Financial Statements

Registration No. 04406788

For the year ended 31 December 2019

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CBRE Corporate Outsourcing Limited

Report and Financial statements 2019

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CBRE Corporate Outsourcing Limited

Officers and Professional Advisors

Directors

Ian Entwisle
Paul James Saville-King
Claire Lloyd (Resigned 31 March 2020)

Registered office

61 Southwark Street
London
SE1 0HL

Banker

HSBC Bank plc
8 Canada Square
Canary Wharf
London
E14 5HQ

Auditor

KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

CBRE Corporate Outsourcing Limited

Strategic' Report

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide Integrated Commercial Property Services and Facilities Management Services to clients in the UK and managing contracts across the EMEA region.

RESULTS AND BUSINESS REVIEW

Results and Dividend

The audited financial statements and notes to the accounts for the year ended 31 December 2019 are set out on pages 13 to 27. The profit for the year after taxation was £1,154,000 (2018: loss of £1,518,000). The directors do not recommend the payment of a dividend (2018: £nil).

Trading performance and development of the business

The principal activity of the Company continues to be the provision of Integrated Commercial Property Services and Facilities Management Services. The Company offers a portfolio of commercial property services including facilities management, project management, transaction management, portfolio services (lease and rentals management), energy advisory services, consultancy services and property advisory services.

The Company has continued to benefit from revenue from Facilities Management contracts. The integration of the Global Workplace Solutions business continued during the year and further strengthens the group's ability to offer a fully integrated range of commercial property solutions to global customers.

Key Performance Indicators

The Key Performance Indicators presented below reflect the way the performance of the Company has been measured in 2019.

Revenue – To track the growth in the business. This is a key area of strategic focus for the Board. Revenue has increased by 56% to £148,197,000 (2018: £94,744,000 gross).

Profit/(Loss) Before Tax – To track the underlying performance of the business and to ensure sales growth translates into increased profits. The profit before tax in the year to £190,000 (2018: loss of £1,602,000).

Future Developments

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net liabilities. The directors believe this to be appropriate. The holder of an indirect interest via CBRE Global Acquisition Company SARL (Luxembourg), CBRE Inc, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available, if repayment of these amounts would result in the Company being unable to meet its obligations.

The Company plays a vital part in providing the infrastructure and in delivering services to clients in the EMEA region as part of the CBRE Group's Global Workplace Solutions product and therefore remains critical to the CBRE group to deliver these services on a regional and global basis.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

CBRE Corporate Outsourcing Limited

Strategic Report (*continued*)

PRINCIPAL RISKS AND UNCERTAINTIES

After Brexit, there has been no detrimental impact to the Group's results since the original vote in June 2016 and the overall trading pattern remains consistent with previous years. The services we provide are essentially delivered and supplied locally and there is little dependence on imported products or services, however the Directors continue to review the situation and appropriate contingency plans are in place.

The global coronavirus pandemic has led to challenges for our customers, our suppliers and our employees. A number of our customers have seen their revenues fall significantly in the months since lockdown was introduced. As most of our business is contracted the impact on our own business is limited, however some areas of discretionary spend outside the scope of contracted services have reduced. We have worked with our key stakeholders to navigate through these uncertain times and are well positioned to deliver strong performance for our stakeholders into the future.

Management of financial risks

The Company's operations expose it to certain financial risks, including the effects of credit risk, liquidity risks and interest rate risk.

The policies in place to mitigate the potential impact of these financial risks are discussed in note 17.

Our commitment to Section 172

OUR STAKEHOLDERS

Successful delivery of the CBRE Corporate Outsourcing Limited (the "Company") strategy depends on effective engagement with stakeholders. Our directors have a duty, under the Act, to act in the way most likely to promote the success of the Company for the benefit of its shareholders. In doing so, directors must pay regard to key stakeholders and to the reputation of CBRE Global Workplace Solutions (GWS) for high standards of business conduct.

Directors consider stakeholder factors when making decisions as a Board and Executive Committee, when setting strategy, developing policies, fostering the corporate culture and guiding and delegating decisions to management and employees. Engagement with stakeholders also involves judgement and actions by managers and employees with whom stakeholders interact directly.

CBRE's RISE values (Respect, Integrity, Service, and Excellence) reflect the Company's consideration of the wide community of stakeholders and the focus on creating outcomes that benefit all of them.

The Company's Board receives a quarterly governance report that takes into consideration all key stakeholders and reports to the COO/CEO on how the Governance team supports the business by aligning its focus with the overall business strategy. The report also highlights risk areas including projects, legal implications and other matters that may impact clients/employees and other stakeholders.

Directors received training in Q1 on Directors' Duties from an external consultancy. This will be strengthened by a detailed induction/onboarding programme for incoming directors tailored to the UK entities and applicable laws/regulations, to include consideration of Section 172(1) factors.

Reports to the Executive Committee and the Board have been enhanced to more explicitly explain consideration of stakeholder factors in the development of proposals, to better guide decision-making. The Board terms of reference and Director appointment documentation also directly reference directors' legal obligation to consider stakeholder factors. The Governance team will continue to provide support to the Board to ensure that sufficient consideration is given to stakeholder issues.

CBRE Corporate Outsourcing Limited

Strategic Report (*continued*)

The annual GWS-wide Business Unit Leader Conference and similar events address the long-term strategy, issues and goals of the business. The strategy addresses the Company's stakeholders directly through its overall aim to produce distinct advantages for clients, employees and shareholders by creating real estate solutions that drive value and growth.

The following statement identifies the key stakeholder groups and outlines methods that directors used to engage with them, understand the issues to which they should have regard, and gather feedback.

Employees

CBRE's success depends on its ability to attract and retain qualified and experienced employees. The Company employs around 790 people directly, in addition to staff employed by the wider CBRE UK group who support the business.

- CBRE GWS EMEA participates in the global CBRE engagement survey, with a 71% participation rate in 2019.
- The business carefully analysed the results of the survey and has created focused action plans in three key areas. Each region/line of business/country will implement tailored action plans in these areas and progress made against actions will be tracked quarterly.
- Regions/countries/lines of business also integrate/require targets for improvement in relation to either engagement results and/or participation rates (depending on relevance of the measure) which will be assessed against results in the 2020 survey.
- Employee Experience Champions are appointed, each tasked with a specific area of focus.
- Divisional days focused on employee engagement, following which new employee initiatives were implemented.
- The group holds an annual Global Safety Week, which is committed to developing safe and healthier ways of working for all employees.
- "Harbour" – CBRE's new proprietary Health, Safety & Environment technology platform, helps to create a safe workplace experience for everyone.
- CBRE operates an ongoing succession planning process that evaluates employees for the Executive grades and ensures a consistent pipeline of talent is available with which to recruit internally.
- A weekly round-up newsletter is emailed to all GWS employees, and a print publication posted out quarterly.

Suppliers

The supply chain is fundamental to CBRE's business as a provider of outsourced services.

The Company engaged with suppliers at various events, at which feedback was gathered:

- Top 100 UK & Ireland Suppliers Event hosted by CBRE, to celebrate and thank the highest-performing preferred suppliers.
- Annual supply partner events – inviting employees, clients and suppliers and giving suppliers a chance to meet and interact with the business.
- Annual Quality, Health, Safety & Environment (QHSE) briefing, to raise awareness and share best practice - more than 30 CBRE colleagues and supply partners came together at the GWS office.
- Annual UK & Ireland Technical Network Workshop - over 50 CBRE technical, procurement and QHSE Management employees attended, as well as supply chain partners.

CBRE Corporate Outsourcing Limited

Strategic Report (*continued*)

Clients

CBRE is relentlessly focused on client outcomes and satisfaction, and has one of the highest client retention rates in the industry.

- CBRE uses a structured approach and framework to deliver tangible innovation and value-add to client relationships, focused on Technology, People, Energy, Environment, Communication and Asset Management.
- A number of industry-leading publications are distributed to clients annually, such as the EMEA office fit-out cost guide, an invaluable reference source when specifying new office space across all EMEA markets.
- CBRE's Customer Innovation and Improvement Charter deepens client relationships by aligning innovative ideas to client sites. It is embedded within the regular client review process. An Innovation Champion Network ensures best practice is disseminated internally.
 - o An example of client-centred innovation was the partnership with INUTEQ (a world leader in personal cooling technologies) to deliver water-cooled garments that CBRE staff use on Shell sites to maintain a comfortable core body temperature whilst working in 30-degree heat.
- CBRE has a global reach and the flexibility to expand business in response to client need. For example, a new entity was incorporated in Slovenia to support a global deal with Novartis to service all its sites, including a major plant in Slovenia.

Community

At CBRE acting responsibly and being successful commercially go hand-in-hand. A key element of this is creating new opportunities for our local communities.

- The Company contributes to a CBRE Group-wide charitable giving programme which donated \$11.5m in 2019, of which 50% is donated to local charity causes decided within each country.
- The Company carried out a range of local charitable activity through various partnerships, including with Action for Children and Hands on London. These charities enabled UK employees to donate their time to various local community projects and initiatives.
- The Company encourages the creation of networks to foster specific interests, including the Women's Network, Proud network and Multicultural Network.

Environment

CBRE takes a holistic approach to business sustainability, and the team develops strategies to significantly reduce carbon footprints and create long-term benefits and value for clients.

- The CBRE Group has reduced overall Scope 2 emissions 17% since 2015 and aims to reduce these 30% by 2025 and 50% by 2035. The group has achieved an overall Scope 1 emissions decrease of 7% since 2015 and aims to reduce these 20% by 2026.
- The Government's Carbon Reduction Commitment requires CBRE to report on organisational energy consumption of all property entities falling within GWS UK.
- The Company engaged with individual clients on a number of initiatives to reduce carbon footprint. For the Company's Syngenta account single-use plastics were eliminated after it was found that cleaning products were being delivered in individual plastic bottles.
- Reductions of energy consumption at client site using various strategies.
- The Company uses proprietary Building Engineering and Management Systems to control plant on client sites to achieve stringent environmental conditions set during design stages.
- Certain client sites are certified to ISO 14001 (International standard that sets out the criteria for an environmental management system and its implementation).

CBRE Corporate Outsourcing Limited

Strategic Report (*continued*)

Standards of Business Conduct

CBRE is firmly committed to conducting business with the highest integrity and in compliance with the law.

- Standards of Business Conduct (SOBC) have been in place since 2004 and were thoroughly updated in 2011, and must be read and adhered to by everyone who represents CBRE.
- The SOBC embody the fundamental principles that govern our ethical and legal obligations.
- The SOBC are at the centrepiece of a global Ethics & Compliance Programme adopted by the CBRE Group in 2004, and designed to reinforce our RISE values and ensure compliance with Company policies, and laws and regulations applicable globally.
- CBRE also expects that all subcontractors comply with applicable laws and legislation, including CBRE's Supplier Code of Conduct.
- Several areas of ethics and compliance training are also provided to all new employees, including SOBC, Harassment Prevention/People and Culture Behaviour, with RISE values and in targeted countries, Anti-Corruption Training.

Acting Fairly Between Members

S172 of the Companies Act requires the Company to act fairly between members. The Company is 100% owned by another entity within the CBRE UK Group.

By order of the board

DocuSigned by:

Ian Entwistle

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Ian Entwistle
Director

61 Southwark Street
London
SE1 0HL

5 March 2021

CBRE Corporate Outsourcing Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Employees

CBRE Corporate Outsourcing Limited values the individual contribution of all employees and prospective employees from all sectors of the community at large. The Company recognises its social, moral and statutory duty to employ people with disabilities and will do all that is practicable to meet this responsibility. The Company operates a Code of Good Practice on Disability.

Political or charitable contributions

The Company made no political or charitable donations or incurred any political or charitable expenditure during the year (2018: £nil).

Results and dividend

The Company's profit and loss account for the financial period is shown on page 13. The directors do not recommend the payment of a dividend (2018: £nil).

Going Concern

A description of the company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report. The outbreak of coronavirus (COVID-19) in early 2020 has affected business and economic activity around the world, including countries in which the company operates. As most of our business is contracted the impact on our own business is limited, and while some areas of discretionary spend outside the scope of contracted services have reduced this is not materially detrimental to our business. In response to the global pandemic, the company has cut back on discretionary costs and investments, will continue actively to monitor the situation and will take any further actions necessary to safeguard our business operations and performance. The directors believe that the Company has adequate funds and liquidity to satisfy its working capital and other funding requirements and the Company is expected to continue to generate positive cash flows for the foreseeable future. The Company participates in CBRE group treasury arrangements and so shares banking arrangements with its ultimate parent and fellow subsidiaries.

Directors

The directors who served throughout the year and up to the date of the signing of the financial statements, except as noted, are as follows:

Ian Entwisle
Paul James Saville-King
Claire Lloyd (Resigned 31 March 2020)

Directors' and officers' liability

The CBRE Group maintains insurance cover in respect of directors' and officers' liability.

Employees

The Directors give the highest priority to ensuring that employees of the Group are regularly informed of, and involved in, all matters connected with the day to day conduct of the business and its future development. Employees' opinions are sought on all aspects of improvement, change, progress and development. In common with many other companies, these communications are largely oral and are promoted by the constant involvement of all employees, in working together to achieve the widely understood and accepted aims of the Group.

Applications for employment by disabled persons are always fully considered, bearing in mind their respective aptitudes and abilities. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

CBRE Corporate Outsourcing Limited

Directors' Report (*continued*)

Stakeholder Engagement Statement

The group strive to maintain this standing and know that the success of our business depends on the quality of the relationships we forge inside and outside of our organisation. The stakeholders of the company include our employees, suppliers, clients, communities and other. As set in Standards of Business conduct and Ethics, we will complete and transact with our clients and vendors fairly. No one representing the Company will take unfair advantage of anyone.

For details of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, please refer to the Section 172(1) statement within the Strategic Report, on page 3.


Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

DocuSigned by:

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Ian Entwisle

61 Southwark Street
London
SE1 0HL

5 MARCH 2021

CBRE Corporate Outsourcing Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

CBRE Corporate Outsourcing Limited

Independent auditor's Report to the members of CBRE Corporate Outsourcing Limited

Opinion

We have audited the financial statements of CBRE Corporate Outsourcing Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, balance Sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion the reports have been prepared in accordance with the Companies Act 2006.

CBRE Corporate Outsourcing Limited

Independent auditor's Report to the members of CBRE Corporate Outsourcing Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

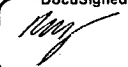
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

DocuSigned by:

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Richard Kelly (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
United Kingdom
E 14 5GL
5 March 2021

CBRE Corporate Outsourcing Limited

Profit and Loss Account

Year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	2	148,197	94,744
Cost of sales		<u>(90,829)</u>	<u>(40,869)</u>
Gross profit		57,368	53,875
Administrative expenses		<u>(57,005)</u>	<u>(55,441)</u>
Operating profit/(loss)		363	(1,566)
Interest receivable and similar income	4	1	-
Interest payable and similar expenses	5	<u>(174)</u>	<u>(36)</u>
Profit/(Loss) before taxation		190	(1,602)
Tax credit on loss	6	964	84
Profit/(Loss) after taxation	13, 14	<u>1,154</u>	<u>(1,518)</u>

All income and expenses in the current year were derived from continuing operations. There are no recognised gains and losses for the current and preceding year other than the profit/(loss) shown above. Consequently, no statement of total recognised gains and losses is presented.

The notes on pages 15 to 26 form part of the financial statements.

CBRE Corporate Outsourcing Limited

Balance Sheet

As at 31 December 2019

		2019	2018
	Notes	£000	£000
Fixed asset investments			
Investment in subsidiaries	8	186	186
Intangible assets	9	920	-
		<u>1,106</u>	<u>186</u>
Current assets			
Debtors	10	153,602	108,237
Cash at bank and in hand		13,346	12,524
		<u>166,948</u>	<u>120,761</u>
Creditors: amounts falling due within one year	11	<u>(160,913)</u>	<u>(144,960)</u>
Net current assets/(liabilities)		<u>6,035</u>	<u>(24,199)</u>
Net assets/(liabilities)		<u>7,141</u>	<u>(24,013)</u>
Capital and reserves			
Called up share capital	12	1	1
Share premium account	12	30,000	-
Profit and loss account	13	<u>(22,860)</u>	<u>(24,014)</u>
Shareholders' funds/(deficit)		<u>7,141</u>	<u>(24,013)</u>

The notes on pages 15 to 26 form part of the financial statements.

The financial statements were approved by the Board of Directors on 5 March 2021 and were signed on its behalf by:

DocuSigned by:

Ian Entwisle

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Ian Entwisle

Director

Company Registration No. 04406788

CBRE Corporate Outsourcing Limited

Statement of Changes in Equity

As at 31 December 2019

	Called-up share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance as at 1 January 2018	1	-	(22,496)	(22,495)
Loss for the year	-	-	(1,518)	(1,518)
Balance as at 31 December 2018	<u>1</u>	<u>-</u>	<u>(24,014)</u>	<u>(24,013)</u>
Balance as at 1 January 2019	1	-	(24,014)	(24,013)
Profit for the year	-	-	1,154	1,154
Share premium on issue of shares	-	30,000	-	30,000
Balance as at 31 December 2019	<u>1</u>	<u>30,000</u>	<u>(22,860)</u>	<u>7,141</u>

These financial statements were approved by the Board of Directors on 11 December 2020.

The notes on pages 15 to 26 form part of these financial statements.

CBRE Corporate Outsourcing Limited

Notes to the Accounts

Year ended 31 December 2019

1. Accounting policies

CBRE Corporate Outsourcing Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK. The registered number is 04406788 and the registered address is 61 Southwark Street, London, SE1 0HL.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted in the current and preceding year are described below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The financial statements are presented as pound sterling (£), the Company’s functional currency, and all amounts have been rounded to the nearest £1,000.

The Company’s ultimate parent undertaking, CBRE Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of CBRE Inc. are prepared in accordance with generally accepted accounting principles adopted by the U.S. Securities and Exchange Commission (SEC) and are available to the public at CBRE.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Schedule 3, paragraph 39 of the Companies Act 2014.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.1 Measurement convention

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments, as specified in the accounting policies below.

1.2 Going concern

The directors perform an annual going concern review that considers the Company’s ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. Due to the impact of COVID-19, the directors have performed an in depth assessment of the business that could cast significant doubt on the ability of the Company to continue as a going concern. In reaching their conclusion, the directors considered:

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

1. Accounting policies (*continued*)

1.2 *Going concern (continued)*

- Stress tests on reasonable plausible downside scenarios such as significant reduction in revenue over time
- Level of existing and projected cash resources available in a stressed scenario
- The interdependency of the Company's operations and finances on other entities within the group, and the overall operational and financial stability of the group as a whole.

We have taken several measures to monitor and prevent the effects of the COVID-19 virus. This includes safety and health measures for our people where we have implemented social distancing and working from home and in-depth contract reviews. Planned actions include, when required, short-term lock-down of locations, use of support made available by governments in the countries in which we operate and other crisis management and business continuity measures for short-, mid and long-term scenarios.

Based on the above, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 *Foreign exchange*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 *Basic financial instruments*

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 *Employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

1. Accounting policies (*continued*)

1.6 Turnover

Turnover, which excludes Value Added Tax represents the invoiced value of goods and services supplied and have been derived entirely in the United Kingdom.

Turnover is recognised depending on the type of revenue as follows:

Facilities Management

Agency contracts with pass through costs

Management fees are billed in accordance with individual contracts and recognised over a 12 month period. Revenue relating to third party costs incurred on behalf of clients is accounted for on a gross basis with nil costs and revenue being recognised in the profit and loss account.

Guaranteed Maximum Price (GMP) contracts

Revenue relating to GMP contracts is recognised based on an estimate of the expected performance on the contract for the year.

Transaction Management

For transaction based services such as facilitating entry into new leases, revenue is recognised on completion of the transaction.

Project Management /Portfolio Services

Revenue relating to Project Management or Portfolio Services such as lease administration is recognised as and when services are provided to the client.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

1. Accounting policies (*continued*)

1.8 *Interest receivable and interest payable*

Interest receivable and interest payable are recognised in the profit and loss as they accrue, using the effective interest method.

1.9 *Intangible assets*

Deferred transition costs include costs incurred leading up to getting a new contract and incremental costs of obtaining a contract are those costs that an entity incurs as a result of successfully obtaining a contract with a customer. These costs would not have been incurred if the contract had not been obtained. These are recognised as contract acquisition costs if recoverable. Qualifying costs must be capitalised and amortised over contract/renewal term as appropriate.

Any costs that would be incurred regardless of whether the contract was obtained are expensed when incurred.

2. Turnover

The turnover, all of which arises in the United Kingdom, is attributable to one activity being integrated commercial property services.

3. Statutory and other information

	2019 £000	2018 £000
Loss on ordinary activities before taxation is stated after charging:		
Audit fees	55	55
Bad debts	495	109
	<u>550</u>	<u>164</u>

4. Interest receivable and similar income

	2019 £000	2018 £000
Intercompany interest receivable	1	-
	<u>1</u>	<u>-</u>

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

5. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest paid	79	86
Net foreign exchange (gain)/loss	95	(50)
	<u>174</u>	<u>36</u>

6. Tax credit on loss

	2019 £000	2018 £000
Current tax		
Current tax credit on loss for the period	-	-
Adjustment in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(964)	(86)
Adjustment in respect of prior periods	-	2
Total deferred tax	<u>(964)</u>	<u>(84)</u>
Tax credit on loss	<u>(964)</u>	<u>(84)</u>

The tax assessed on the loss for the year is the lower the standard rate of corporation tax in the UK of 19% (December 2018 – 19%). The differences are reconciled below:

	2019 £000	2018 £000
Profit/(Loss) before taxation	190	(1,602)
Taxation on loss at standard rate of 19% (2018: 19%)	36	(305)
Adjustment in respect of prior period	(7)	(25)
Expenses not deductible for tax purposes	27	68
Utilisation and recognition of brought forward trading losses	(1,020)	177
Tax credit on loss	<u>(964)</u>	<u>(84)</u>

There are unutilised trading losses of £4,074,634 (2018: £5,999,310) for which a deferred tax asset has not been recognised because there is sufficient uncertainty that there will be sufficient profits in future years to justify carrying the asset in the financial statements.

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. Finance Act 2016 has enacted a further reduction in the UK corporation tax rate from 19% to 17% with effect from 1 April 2020.

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

7. Information regarding directors and employees

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	2019	2018
Average headcount during the year		
Office management and admin	147	150
Fee earner	533	533
Fee earner support	110	110
	<u>790</u>	<u>793</u>

	2019 £000	2018 £000
Employee costs during the year		
Wages and salaries	48,423	41,887
Social security costs	2,598	4,089
Other pension costs	819	646
	<u>51,840</u>	<u>46,622</u>

Included within the costs above, the Company incurred £4,882,320 of payroll recharges from other group companies in 2019 (2018: £5,109,000).

The directors did not provide qualifying services to the Company during the year. Accordingly, the directors did not receive remuneration during the year (2018: £nil).

Key management personnel were responsible for planning, directing and controlling the activities of the entity during and in the previous year.

Defined contribution plans

The Company operates a defined contribution pension scheme for employees who are eligible and wishing to participate. Total pension contribution during the year amounted to £818,899 of which £351,045 were outstanding as of 31 December 2019 (2018: contribution of £742,177 of which £259,324 were outstanding).

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

8. Fixed asset investments

	Total £000
Cost	
At beginning of year and end of year	186
Additions	
At end of Year	-
Provisions	
At beginning and end of year	-
Net book value	186
At 31 December 2019	<u>186</u>
At 31 December 2018	<u>186</u>

The Company has investments in the ordinary shares of the following subsidiaries:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Country of incorporation	Principal activity	Owner- ship %
CBRE Saudi Arabia LLC	86	-	Kingdom of Saudi Arabia	Inactive	95
CBRE Advisory Services LLC	100	-	Kingdom of Saudi Arabia	Active	50

The registered addresses of these subsidiaries are as follows:

CBRE Saudi Arabia LLC	The Business Gate, Building 14, Airport Road, Qurtubah District, Riyadh, 11474, PO Box 16743, Saudi Arabia
CBRE Advisory Services LLC	City of Riyadh, PO Box 11595, Saudi Arabia, 62982

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

9. Intangible assets

	Deferred transition cost £000	Total £000
Cost		
At 1 January 2019	-	-
Additions	3,988	3,988
At 31 December 2019	3,988	3,988
Depreciation		
At 1 January 2019	-	-
Charge for the year	(3,068)	(3,068)
At 31 December 2019	(3,068)	(3,068)
At 31 December 2019	920	920
At 31 December 2018	-	-

10. Debtors

	2019 £000	2018 £000
Trade debtors	32,981	33,264
Amounts due from group undertakings	105,980	65,377
Prepayments and accrued income	2,572	1,046
Amounts recoverable on contract	10,294	7,856
Other debtors	438	222
Taxation	1,337	472
	153,602	108,237

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

11. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	10,230	8,406
Amounts owed to group undertakings	124,994	97,420
Other taxation and social security	2,093	1,850
Payments on account	5,076	581
Bank overdraft	15,924	31,379
Accruals and deferred income	2,596	5,324
	<u>160,913</u>	<u>144,960</u>

At December 2019 the bank overdraft attracted interest at a variable rate of interest which was then 0.937% (2018: 0.625%).

12. Called up share capital

	2019 £000	2018 £000
Called up, allotted and fully paid		
1,001 (2018:1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

During the year, CBRE Corporate Outsourcing Limited had allotted 1 new ordinary share at premium price to CBRE Luxembourg Holding SARL, in return for cash of £30,000,000

On 19 November 2019, CBRE Luxembourg Holdings SARL transferred the entire issued share capital to CBRE Global Acquisition SARL.

13. Profit and loss account

	2019 £000	2018 £000
At 1 January 2019	(24,014)	(22,496)
Profit/(Loss) for the year	<u>1,154</u>	<u>(1,518)</u>
At 31 December 2019	<u>(22,860)</u>	<u>(24,014)</u>

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

14. Reconciliation of movements in shareholders' funds

	2019 £000	2018 £000
Profit/(Loss) for the year	1,154	(1,518)
Share issued in the year (Note 12)	30,000	-
Net movement in shareholders' funds	31,154	(1,518)
Opening shareholders' funds as at 1 January 2019	(24,014)	(22,496)
Closing shareholders' funds as at 31 December 2019	7,140	(24,014)

15. Controlling party

The immediate parent company is CBRE Global Acquisition Company Luxembourg, a company incorporated and registered in Luxembourg. The registered address is 12C Impasse Drosbach, L-1882, Luxembourg.

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

CBRE Inc. is the parent company of the largest group of which the Company is a member and is the only group the Company is a member of for which consolidated financial statements are drawn up. Copies of the consolidated group financial statements for CBRE Inc. are available at CBRE.com and may be obtained from 400 South Hope Street, 25th Floor, Los Angeles, CA 90071, USA.

16. Related party disclosures

The Company has taken advantage of the exemption contained in FRS 102.33.1A not to disclose transactions with other members of the group controlled by the CBRE Group Inc.

Related balances are disclosed in notes 10 and 11. As at 31 December 2019, the Company had the following aggregate related party balances with fellow subsidiaries of the ultimate parent:

	2019 £000	2018 £000
Amounts owed from fellow group undertakings	105,980	65,377
	2019 £000	2018 £000
Amount owed to fellow group undertakings	124,994	97,420

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

17. Financial risk management

The Company has exposures to two main areas of risk - liquidity risk and customer credit exposure. To a lesser extent the Company is exposed to interest rate risk.

Liquidity risk

The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Company has credit facilities available.

Customer credit exposure

The Company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by strong on-going customer relationships.

Interest rate risk

The Company borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates. The rate of interest earned or paid on the Company's cash balances or overdraft is monitored on an ongoing basis by continuing review of rates available in the market.

18. Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

19. Notes to the profit and loss accounts

As at 31 December 2019, CBRE Corporate Outsourcing Limited (CBRE COS UK) UK statutory accounts are prepared under FRS102, which has not aligned with the changes to the accounting standards of ASC606 and IFRS15 which is the standard for Revenue from contracts with customers. Per the '2017 FRS102 Triennial Amendments', the period for FRS102 to implement IFRS 15 has not yet been established. In the 2018 financial statements, it was disclosed that implementation would occur from 1 January 2019, however as no further guidelines have been issued regarding requirement to implement IFRS 15 when reporting under FRS 102, the Company will continue netting as permitted by FRS 102.

CBRE Corporate Outsourcing Limited

Notes to the Accounts (*continued*)

Year ended 31 December 2019

20. Subsequent events

1. On 1 January 2020, CBRE Managed Services Limited purchased the Facilities Management and Project Management trade and the net associated assets of CBRE Corporate Outsourcing Limited.
2. CBRE Limited becoming a relevant legal entity and person with significant control from 1 January 2020.
3. The situation surrounding COVID-19 remains fluid and it is impossible to say with any certainty how long the current situation will persist. Clearly the potential for a material impact on the Group company increases the longer the virus impacts the level of economic activity in the United Kingdom and globally. We are confident however that the cost reductions we have put in place, together with the contractual nature of most of our customer agreements, provide the Company with a significant degree of protection in terms of revenue, profitability and the generation of adequate liquidity to support the business