The Office Islington Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 04878697

The Office Islington Limited

Company Information

Directors	C Green M Green G Kataky O Olsen
Registered number	04878697
Registered office	The Smiths Building 179 Great Portland Street London W1W 5PL
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

The Office Islington Limited

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The Office Islington Limited

Strategic Report
for the Year Ended 31 December 2020

Introduction

The directors present their Strategic report for The Office Islington Limited ("the Company") for the year ended 31 December 2020.

Organisation overview

The Company was incorporated on 27 August 2003 and it is an indirect subsidiary of Cheetah Holdco Limited, the indirect parent of the trading entities hereafter referred to as The Office Group (TOG) ("the Group").

Business model

Key activities

TOG is one of the UK's leading flexible office providers, providing office space on flexible contracts and memberships to a wide range of clients. Properties are held on a freehold or leasehold basis and redeveloped into beautifully designed workplaces, responding to the architecture, location and context of each building. In addition, TOG also provides meeting rooms, events and a platform for community and networking to thousands of members.

TOG assets

TOG has a total of 52 locations at 31 December 2020, including 4 managed properties and 7 held within a joint venture, representing over 2.1 million sq. ft. TOG's strong freehold asset backing combined with a high-quality leasehold portfolio with a weighted average unexpired term of 17 years provides a strong and robust foundation for years to come. TOG intends to continue selectively acquiring the highest quality buildings in its core London market that add variety and depth to its member offer.

TOG members

The TOG brand has proven to resonate with companies from start-ups to well-established corporates across a broad spectrum of industries. TOG is committed to providing a high level of service and amenity and remains connected to the needs of its customers. This enables the Company to respond by driving the continual enhancement of the service and amenities in our space, particularly in wellness, food & beverage, technology and sustainability.

Trends and factors

Prior to the COVID-19 global pandemic consistently high occupancy, growing revenue and the ability to let new buildings quickly over 5 years were all indications of the increased demand for shorter tenure space, challenging the standard form of lease for traditional occupiers. Many of the largest and most forward-thinking businesses in the world are now demanding shorter term, and more flexible solutions to their space requirements. Clients also see this flexibility and focus on design and wellness as an important element in attracting and retaining the right calibre of staff, particularly in a post pandemic world where there is a need to provide greater amenity and alternate work settings that cannot be replicated via working from home or in many corporate offices.

On 11 March 2020 the World Health Organization declared COVID-19 a global pandemic and during the period since the UK and countries across the world have had to put in place restrictions such as national lockdowns to combat the pandemic. These restrictions have had a significant impact on worldwide economies and companies. During the first quarter of 2020 the Company continued to experience growth however, consistent with the wider market, the coronavirus pandemic has resulted in short-term reduction in demand and customer renewals resulting in a decrease in occupancy levels and revenue.

In recent months there have been strong signs of recovery as the lead flow of new business has increased back to and recently beyond pre pandemic levels. TOG expects that flexible contracts will be more desirable during uncertain times; an opinion supported by leading global real estate experts and widely reported in the mainstream press. TOG is ready for a strong return to normal operations, having prepared its buildings with increased cleaning specifications, revised layouts supporting physical distancing and new health and safety protocols.

Principal risks and uncertainties

Economic Downturn

A significant portion of the Group's costs are fixed which creates a risk to profitability if either occupancy or license fee rates fall. The Group monitors occupancy and license fee rates on a weekly basis. The Group's clients are from a diverse range of industries. TOG's mixed portfolio of freeholds and leaseholds helps to mitigate this risk to an extent as its EBITDA margins are higher than would otherwise be possible with a pure leasehold model, reducing the exposure to falls in income. EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

This risk is further mitigated by TOG's strategy of providing a long-term home for businesses as well as its emphasis on central London, the largest flexible office market in the world. This is further evidenced by the increase in longer term commitments from clients over the last twelve months.

On 23 June 2016, the UK voted to leave the European Union (EU). On 31 January 2020 the UK left the EU after consensus was reached by the two parties on a withdrawal agreement. Britain's decision to leave the EU has not had any adverse impact on the business to date. The Group has found that the economic uncertainty created has increased demand for flexible workspace by clients wishing to avoid long term lease commitments. The Company continues to monitor the situation closely to gauge the effect on the business, the sector and the European economy.

The coronavirus pandemic has impacted the world, European and property industry in 2020 with the short, medium and long-term impact on economic conditions being uncertain. The UK government, when introducing lockdown measures also introduced a range of support initiatives for individuals and organisations to reduce the impact on the economy. Despite these measures there are organisations that have not been able to survive, in particular those in the hardest hit sectors of travel and hospitality. A large proportion of the office workforce has been working from home which may have an impact on the office market in the future however the requirement for greater social distancing within the workplace may also have a large impact on the office market, as well as transport and most other businesses with physical space. The ability to be able to adapt and be flexible will benefit TOG during these uncertain times and as seen from the impact of Britain's decision to leave the EU uncertainty may lead to an increased demand for TOG's product in the UK. As the UK is moving forward the removal of restrictions, TOG has experienced a strong increase in demand to a level beyond that experienced immediately prior to the onset of the pandemic. TOG has confidence that this phenomenon will continue as people start to return to the offices and companies permanently adjust their real estate strategies to incorporate a higher proportion of flexible office space. This is further evidenced by the growing number of listed landlords who are recognising this shift and increasing their exposure to the sector.

Client Retention

The majority of clients are bound to commitments of 12-36 months. The Group manages this risk by monitoring the proportion of revenue from clients having a policy of not over committing to licensing to one client, having a proactive and early renewals process and staggering the exit of larger clients over several months. The Group is increasingly offering longer term commitments to larger clients, further mitigating the risk of losing clients.

Financial Market Volatility

TOG has existing facilities through a funding package of senior and mezzanine debt provided by 3 lenders. There is a risk that these loans may not be refinanced at competitive prices, or at all, due to market volatility at the time of refinancing. The funding requirements of the Company are reviewed regularly and options for alternative sources of funding monitored. Existing arrangements will mature in February 2024.

Principal risks and uncertainties (continued)

Business Interruption

The business could be adversely affected by major external events which could result in TOG being unable to carry out its business for a sustained period. TOG has business continuity plans and procedures in place and benefits from the growing diversity of its portfolio across London. TOG continues to monitor the impact of the coronavirus pandemic very closely. The buildings have remained open during lockdown and TOG has taken the necessary steps to make its buildings safe for clients, with workspaces supporting physical distancing and new health and safety protocols.

Regulatory Risk

The directors ensure the Company complies with, and where possible is ahead of current regulations. As a matter of policy, the Company compliance checks all clients against leading databases and conducts annual independent audits of clients' files, going further than is currently recommended as industry best practice. Another key area of focus is the requirement to comply with increasing health and safety as well as environmental regulations. This is one of the factors driving the development of the flexible office market due to the increasing administrative burden it forces on small businesses.

Environment, Social and Governance

The directors have considered the impact of TOG's activities on the environment, its workforce, stakeholders and the wider community.

TOG has employed sustainability policies focused on creating environmentally friendly buildings, achieving carbon emissions targets and improving energy efficiency. This involves tracking our carbon consumption, waste recycling initiatives, reducing hard to recycle plastics, improving air quality in our buildings and has transitioned our portfolio over to renewable electricity supply contracts.

TOG has rolled out a new framework setting out the key TOG values, core competencies and behaviours for our employees. Programmes actively promoting good health, wellbeing and which provide training and support for mental health have been provided to all staff. TOG has also rolled out Diversity and Inclusion training to all employees in the business during the year, this initiative will be a key focus over the coming years.

Financial performance

The business performed well during the year generating revenue of £24,087k, an increase of £4,039k over the prior period. The Company made an operating profit of £4,453k (2019 - £2,413k profit) in the year.

The directors do not recommend payment of a dividend.

S172 statement

The directors confirm that during the year under review, through their business decisions, they have acted to promote the long-term success of the Company for the benefit of shareholders, whilst considering the potential impact of those decisions on the Company's stakeholders. The factors considered would often include the likely long-term consequences of the decision, the interests of employees, the relationships with customers and suppliers, the impact on the community and environment, maintaining the Company's reputation and acting fairly for all members of the Company.

The directors receive regular updates on stakeholder views from senior management. The directors seek to achieve an appropriate balance of stakeholder preferences, which in turn will assist the Company in achieving its long-term growth objectives.

Strategic Report (continued)
for the Year Ended 31 December 2020

This report was approved by the board and signed on its behalf.

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M Green
Director

Date: 22 September 2021

The Office Islington Limited

Directors' Report
for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is the provision of management and corporate services to other group companies.

Directors

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

C Green
M Green
G Kataky
O Olsen

Results and dividends

The directors did not declare a dividend in the year (2019 - £Nil).

Statement of directors' responsibilities in respect of the strategic report, the 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 101 Reduced Disclosure Framework.

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, relevant and reliable;
- state whether they have been prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework;
- 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.

Principal risks and uncertainty due to Brexit and Covid-19

Britain's decision to leave the EU, effective from 31 January 2020, has not had any adverse impact on the Company to date. The Company continues to provide corporate services to operating entities in the Group (Cheetah Holdco Limited and its subsidiaries). The Company continues to monitor the situation closely to gauge the possible impact on the company and the UK economy.

The COVID-19 pandemic, which has impacted the world, UK and property industry throughout 2020, and which remains a threat, is considered a current principal risk. The medium and long-term impact on economic conditions is still uncertain.

Going Concern

The Company reports a net profit of £1,688k (2019 - profit of £2,172k) for the year. The Company has net current liabilities of £56k (2019 - £1,707k) and net assets of £4,641k (2019 - £2,953k), with cash and cash equivalents of £48k (2019 - £251k).

In March 2021, the ultimate controlling party of the Company (Cheetah Holdco Limited) began a restructuring process of the Group, of which the Company is a subsidiary entity. The purpose of this exercise is to separate the Group's business activities between the property business and the operating business and to simplify the existing legal structure. The transfer of properties and operations was completed in March 2021 and the transfer of employees was completed in June 2021, with the liquidation of legacy entities still to follow.

The directors, having made appropriate enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason they continue to adopt the going concern basis in preparing the Company's accounts. In adopting the going concern basis for preparing the financial statements, the directors have considered the Company's principal risks and uncertainties and business review as set out in the strategic report.

The COVID-19 pandemic, which has impacted the world, UK and property industry throughout 2020, and which remains a threat, is considered a current principal risk. The short, medium and long-term impact on economic conditions is still uncertain at the time of preparing the financial statements. The directors have considered the level of financial support including that which may be available to the Company by Cheetah Holdco Limited.

The directors have assessed the sensitised cash flow forecasts prepared by Cheetah Holdco Limited, the Company's ultimate UK holding company, which are for a period in excess of 12 months from the date of authorisation of the financial statements and which consider a plausible but severe down-side scenario. Where applicable, assumptions applied include reductions of revenue below committed revenues, limited cost base savings and assuming longer than expected recovery periods. The base case scenario does not consider that the majority of forecast capital expenditure, including development and information technology expenditure, can be controlled to further preserve cash to fund its operations. In a downside scenario, controllable forecast capital expenditure remains at the directors' discretion and can be delayed if required to enable the existing portfolio to meet its operational requirements, should specific external funding not be secured to fund development. The results of the assessment performed have led the directors to conclude on the appropriateness of preparing the financial statements on the going concern basis.

More detail on the going concern basis of preparation is provided in note 2.6 to the financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved have confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

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M Green
Director

Date: 22 September 2021

KPMG

Independent Auditor's report to the members of The Office Islington Limited

Opinion

We have audited the financial statements of The Office Islington Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

KPMG

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

We performed procedures including:

- Inspecting revenue postings either side of year-end and agreeing these postings to supporting documentation.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Fraud and breaches of laws and regulations - ability to detect (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 strategic report and 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 those reports have been prepared in accordance with the Companies Act 2006.

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 4, 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.

KPMG

Independent Auditor's report to the members of The Office Islington Limited (continued)

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.

P Barron

Paul Barron (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

Date: 23 September 2021

The Office Islington Limited

Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	3	**24,087**	20,048
Administrative expenses	7	**(19,634)**	(17,635)
Operating profit		**4,453**	2,413
Impairment of intangibles	10	**(2,936)**	-
Interest payable and similar charges	8	**(52)**	(126)
Profit before tax	7	**1,465**	2,287
Tax on profit	9	**223**	(115)
Profit for the financial year		**1,688**	2,172

All amounts relate to continuing operations.

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 15 to 30 form part of these financial statements.

The Office Islington Limited
Registered number: 04878697

Balance Sheet
as at 31 December 2020

	Note		2020 £000		2019 £000
Fixed assets					
Intangible assets	10		**4,361**		4,379
Property, plant and equipment	11		**416**		410
			4,777		4,789
Current assets					
Debtors: amounts falling due within one year	12	**71,091**		51,564	
Cash and cash equivalents		**48**		251	
		71,139		51,815	
Current liabilities					
Creditors: amounts falling due within one year	13	**(71,195)**		(53,522)	
Net current liabilities			**(56)**		(1,707)
Total assets less current liabilities			**4,721**		3,082
Provisions for liabilities					
Deferred taxation	14		**(80)**		(129)
Net assets			**4,641**		2,953
Capital and reserves					
Share capital	15		**686**		686
Retained earnings			**3,955**		2,267
			4,641		2,953

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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M Green
Director

Date: 22 September 2021

The notes on pages 15 to 30 form part of these financial statements.

The Office Islington Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	**686**	**95**	**781**
Comprehensive income for the year			
Profit for the year	**-**	**2,172**	**2,172**
Balance at 31 December 2019	**686**	**2,267**	**2,953**
Comprehensive income for the year			
Profit for the year	**-**	**1,688**	**1,688**
Balance at 31 December 2020	**686**	**3,955**	**4,641**

The notes on pages 15 to 30 form part of these financial statements.

1. General information

The Office Islington Limited is a private company, limited by shares, registered in England and Wales and domiciled in the United Kingdom. The Company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain properties and financial instruments. The presentation currency used is Pound Sterling and amounts have been presented in round thousands ("£'000s").

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

New standards, interpretations and amendments adopted from 1 January 2020

- IFRS 3 Business Combinations (Amendment - Definition of a Business)

  Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group will apply the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)

- Revised Conceptual Framework for Financial Reporting

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for periods beginning on or after 1 January 2021:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The following amendments are effective for periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Company is currently assessing the impact of these new accounting standards and amendments.

2. Accounting policies (continued)

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

2.2 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Fixtures and fittings - 20% on cost

2.3 Taxation

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

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 assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax arising as a consequence of investment property carried at fair value is calculated on the basis that the gain/(loss) will be recovered through a sale of the property in line with the Company's business model which is to generate value in the form of capital appreciation.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.4 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

The Company had no operating or finance leases in place throughout the current and prior year.

2. Accounting policies (continued)

2.5 Judgement and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgement in applying the Company's accounting policies. The Company makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The capitalisation of expenditure on software and website development activities has required significant use of judgement during the year, particularly with regards to the technical and commercial feasibility of the product or process and the probability of future economic benefits. The Directors have considered all available information in determining which costs are considered appropriate to capitalise and which should be expensed directly to profit and loss. Historic costs have also been reassessed during the year resulting in the impairment of previously capitalised costs.

2.6 Going concern

The Company reports a net loss of £1,688k (2019 - profit of £2,172k) for the year. The Company has net current liabilities of £56m (2019 - £1,707k) and net assets of £4,641k (2019 - £2,953k), with cash and cash equivalents of £48k (2019 - £251k).

The directors, having made appropriate enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason they continue to adopt the going concern basis in preparing the Company's accounts. In adopting the going concern basis for preparing the financial statements, the directors have considered the Company's principal risks and uncertainties and business review as set out in the strategic report.

The COVID-19 pandemic, which has impacted the world, UK and property industry throughout 2020, and which remains a threat, is considered a current principal risk. The short, medium and long-term impact on economic conditions is still uncertain at the time of preparing the financial statements. The directors have considered the level of financial support including that which may be available to the Company by the ultimate UK parent company, Cheetah Holdco Limited.

The directors have assessed sensitised cash flow forecasts prepared by the ultimate parent company, Cheetah Holdco Limited, which are for a period in excess of 12 months from the date of approval of the financial statements, and which consider a plausible but severe down-side scenario. Based on these forecasts, the directors were led to conclude that the company will have sufficient funds, through direct support from Cheetah Holdco Limited, to meet its liabilities as they fall due for that period. Where applicable, assumptions applied in preparing cash flow forecasts include reductions of revenue below committed revenues, limited cost base savings and assuming longer than expected recovery periods.

Forecasts are also dependent on the Company's immediate, ultimate and intermediate parent companies and fellow subsidiary companies - all under the control of Cheetah Holdco Limited not seeking repayment of the amounts currently due to all group companies, which at 31 December 2020 amounted to £67,642k. Cheetah Holdco Limited has indicated that it does not intend to seek repayment of amounts payable to group companies for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

2. Accounting policies (continued)

The results of the assessment performed have led the directors to conclude on the appropriateness of preparing the financial statements of the Company on the going concern basis.

2.7 Intangible assets

Expenditure on software and website development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Intangible assets recognised by the Company are amortised from the point the asset is brought into use, after completion of any testing programmes, over a three to five year period dependent on the type of spending and the period over which the Company expects to generate economic benefits from the development.

2.8 Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity.

2.9 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers e.g. trade receivables, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairments.

Loss allowances for trade debtors and contract assets are measured at an amount equal to lifetime expected credit losses (ECLs), i.e. the ECLs that result from all possible default events over the expected life of the asset. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2. Accounting policies (continued)

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

2.10 Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

2.10.1 Fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss where the liability is either held for trading or is designated as held at fair value through profit or loss on initial recognition. They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

2.10.2 Other financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.
- Loans from group companies are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. The difference between the fair value of the loan on initial recognition and the amount of the proceeds is credited directly to equity as a capital contribution.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 Revenue

Revenue comprises management fee income from group companies, joint ventures and income from the recovery of corporate overhead expenses arising from other operating entities within the group.

Management fee income is calculated and agreed with the managed entities based on utilisation of resources and profit markup. Recovery of corporate overhead expenses is made with a ten percent markup on cost.

Revenue is recognised over time in line with the management agreements between the Company and the operating entities within the group.

2. Accounting policies (continued)

2.13 Government grants

Coronavirus Job Retention Scheme (CJRS) claims are recognised and measured as government grants. Proceeds from CJRS claims submitted during 2020, are presented as a credit to salary and wage expenses.

2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3. Revenue

Revenue arising from:

	2020 £000	2019 £000
Other services income	**24,087**	20,048

The Company provides corporate services to other group companies, with a mark up charged on cost.

4. Auditor's remuneration

Auditor's remuneration in respect of the Company totalled £13k (2019 - £12k).

Included within administrative expenses is £324k (2019 - £270k) of audit fees and £95k (2019 - £62k) of taxation compliance fees payable to the Group's auditor in respect of the Cheetah Holdco Group.

5. Employees

	2020 £000	2019 £000
Wages and salaries	**9,930**	8,861
Social security contributions and similar taxes	**1,013**	1,095
Pension costs	**436**	303
	11,379	10,259

Salary and wages expenses are presented net of proceeds of £418k from Coronavirus Job Retention Scheme (CJRS) claims submitted during 2020. CJRS claims are recognised and measured as government grants.

The average monthly number of employees, including directors, during the year was 369 (2019 - 354).

6. Directors' remuneration

	2020 £000	2019 £000
Wages and salaries	**280**	353
Social security contributions and similar taxes	**38**	49
Pension costs	**11**	10
	329	412

The aggregate of remuneration of the highest paid director was £119k (2019 - £140k), including pension contributions of £5k (2019 - £4k).

7. Profit before taxation

	2020 £000	2019 £000
The profit before taxation is stated after charging:		
Impairment of intangible assets	**2,936**	-
License costs	**1,651**	1,394
Amortisation of intangible assets	**417**	415
Depreciation of tangible assets	**160**	113

License costs represent fees paid to a group company for office space from which the Company operates.

8. Interest payable and similar charges

	2020 £000	2019 £000
Bank charges	**52**	126

9. Taxation

	2020 £000	2019 £000
Corporation tax		
Adjustments in respect of previous periods	**(174)**	-
Total current tax	**(174)**	-
Deferred tax		
Origination and reversal of timing differences	**(339)**	68
Effect of tax rate change on opening balance	**15**	-
Adjustments in respect of prior periods	**275**	47
Total deferred tax	**(49)**	115
Total tax (credit)/charge in statement of profit and loss and other comprehensive income	**(223)**	115

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	**1,465**	2,287
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**278**	435
Effects of:		
Expenses not deductible for tax purposes	**13**	12
Group relief claimed for nil consideration	**(630)**	(371)
Adjustment to tax charge in respect of previous periods	**101**	47
Effect of tax rate change on opening deferred tax balances	**15**	7
Effect of tax rate change on closing deferred tax balances	**-**	(15)
Tax (credit)/expense	**(223)**	115

Factors that may affect future tax charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, this was superseded by an announcement in March 2020 to continue to apply a rate of 19%. This change was substantively enacted on 17 March 2020. As such, tax is recognised in the accounts at the prevailing corporation tax rate of 19%, including recognition of the impact to opening deferred tax balances previously recognised at 17%.

A further increase in the main UK corporation tax rate was announced in the March 2021 Budget, rising to 25% from 1 April 2023. This has not yet been substantively enacted. This will increase the Company's future current tax charge accordingly and increase the deferred tax liability by £25k based on current gross deferred tax balances.

10. Intangible assets

	Other intangible assets £000
Cost	
At 1 January 2020	5,208
Additions	3,334
At 31 December 2020	8,542
Amortisation and impairment	
At 1 January 2020	829
Charge for the year	416
Impairment charge	2,936
At 31 December 2020	4,181
Net book value	
At 31 December 2020	4,361
At 31 December 2019	4,379

As at the year end the Company had £Nil capital commitments (2019 - £Nil).

During the year the Company reviewed and assessed all active software development programmes for potential impairment. The directors identified previously capitalised costs from which they do not expect future economic benefit, or where the completion of the development programme is no longer feasible. The identified costs total £2,936k and the accelerated write off of these costs has recognised as an impairment charge in profit and loss in 2020.

Additions for the year includes capitalisation of direct costs and implementation costs (consisting of employee costs and project management costs) relating to the development, configuration and implementation of various technology improvement projects, including a space planning and - management system, an enhanced member portal, an integration hub and data warehouse, as well a new customer relationship management and billing system and an enterprise resource planning system implementation.

11. Property, plant and equipment

	Fixtures and fittings £000
Cost	
At 1 January 2020	**971**
Additions	**166**
At 31 December 2020	**1,137**
Depreciation	
At 1 January 2020	**561**
Charge for the year	**160**
At 31 December 2020	**721**
Net book value	
At 31 December 2020	**416**
At 31 December 2019	410

As at the year end, the Company had £Nil capital commitments (2019 - £Nil).

12. Debtors

	2020 £000	2019 £000
Trade debtors	**1,939**	456
Amounts owed by group undertakings	**65,262**	49,334
Other debtors	**2,942**	1,099
Prepayments	**471**	174
Accrued income	**477**	501
	71,091	51,564

All of the amounts owed by group undertakings are repayable on demand and are not interest bearing. Amounts owed by group undertakings of £65,262k (2019 - £49,334k) includes amounts of £64,136k (2019 - £48,418k) which are expected to be recovered in more than 12 months.

13. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**549**	168
Amounts owed to group undertakings	**67,642**	49,455
Other taxation and social security	**192**	562
Other creditors	**432**	458
Accruals	**2,380**	2,879
	71,195	53,522

All of the amounts owed to group undertakings are payable on demand and are not interest bearing. Amounts owed to group undertakings of £67,642k (2019 - £49,455k) includes amounts of £65,569k (2019 - £49,395k) which are expected to be settled in more than 12 months.

14. Deferred taxation

	2020 £000	2019 £000
Liability at beginning of year	**(129)**	(14)
Credited/(charged) to Statement of Profit and Loss and Other Comprehensive Income during the year	**49**	(115)
Liability at end of year	**(80)**	(129)

The provision for deferred taxation is made up as follows:

	2020 £000	2019 £000
Accelerated capital allowances	**(116)**	(142)
Short term differences	**35**	12
Loan relationship asset	**1**	1
	(80)	(129)

15. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
74,438 (2019 - 74,438) A ordinary shares shares of £1.00 each	**74**	74
249,204 (2019 - 249,204) B ordinary shares shares of £1.00 each	**249**	249
362,728 (2019 - 362,728) Deferred shares shares of £1.00 each	**363**	363
	686	686

The 'A' and 'B' ordinary shares rank pari passu except that the 'B' shares rank in priority on a winding up of the Company.

The deferred shares were converted from preference shares on 18 June 2008 and carry no voting rights or rights to dividends.

16. Events after the reporting date

In March 2021, the ultimate controlling party of the Company (Cheetah Holdco Limited) began a restructuring process of the Group, of which the Company is a subsidiary entity. This process is anticipated to be completed by September 2022.

The purpose of this exercise is to separate and to simplify the Group's business activities between the property business and the operating business and to simplify the existing legal structure.

The transfer of properties and operations was completed in March 2021, with the transfer of group employees from this Company to The Office Group Properties Limited occurring in June 2021. The liquidation of legacy entities is still to follow.

The operating business entities: The Office (Bristol1) Limited, The Office (Kirby) Limited, The Office (Marylebone) Limited, The Office (Shoreditch) Limited and The Office (Farringdon) Limited; all of whom were originally controlled by The Office Group Limited, have had their operating assets transferred to The Office Group Properties Limited.

All freehold properties and long-leaseholds will be held by The Office Group Holdings Limited to partition the separate operating segments.

All working capital balances shall be transferred in full accordingly.

17. Ultimate parent company and control

The Company is a subsidiary undertaking of Cheetah-Wild Holdco Limited which is the ultimate parent company incorporated in Jersey, and the immediate parent company is The Office Group Limited, registered in the United Kingdom.

The largest group in which the results of the Company are consolidated is that headed by Cheetah Holdco Limited, registered in the United Kingdom. The smallest Group in which the Company is consolidated is that headed by TOG UK Mezzco Ltd registered in the United Kingdom.

Copies of the Group financial statements of Cheetah Holdco Limited and TOG UK Mezzco Ltd will be available on request from the Company's registered office, 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX.

18. Contingent liabilities

All assets of The Office Islington Limited have been pledged as security for a group bank loan held by The Office Group Holdings Limited and TOG UK Mezzco Ltd. At 31 December 2020 the group bank loan was £375,177k (2019 - £369,637k).

19. Related party transactions

Included within turnover is £1,052k (2019 - £1,078k) of management fees from The Station Office Network LLP of which The Office Group Properties Limited is a member with a 50% interest in the partnership. The Company charged The Station Office Network LLP employee costs of £505k (2019 - £732k). £929k (2019 - £Nil) was owed by The Station Office Network LLP at year end.

Included in turnover is £101k (2019 - £115k) of recharged secondment costs from Blackstone Property Management Limited, which is a related party due to shared ownership. £Nil (2019 - £Nil) was owed by Blackstone Property Management Limited at year-end.

Included within the administration expenses are management charges of £3k (2019 - £44k) charged by Blackstone Property Management Limited. The balance receivable at the year end was £122 (2019 - £122).

Included within the administration expenses are management charges of £20k (2019 - £20k) charged by BRE Europe UK Limited / Revantage Global Services UK Ltd. The balance receivable at the year end was £31k (2019 - £Nil).