

TOG 4 Limited

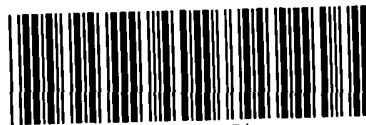
Report and Financial Statements

Year Ended

31 December 2021

Company Number 11123480

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TOG 4 Limited

Company Information

Directors	C Green M Green G Katakya O Olsen
Registered number	11123480
Registered office	1 Bartholomew Lane London EC2N 2AX
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

TOG 4 Limited

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TOG 4 Limited

Group Strategic Report for the Year Ended 31 December 2021

Introduction

The directors present their Strategic report for TOG 4 Limited ("the Group") for the year ended 31 December 2021.

The Group's purpose

Our purpose is to create beautifully designed buildings and progressive memberships, making the spaces (and contracts) flexible to allow businesses to thrive. We respond to the architecture, location and context of each building so that we can generate a real sense of ownership and community. We are ambitious for continued growth but with only the best buildings being run by the best people.

Business model

Key activities

TOG is one of 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

Within the TOG 4 Limited group TOG has a total of 40 locations at 31 December 2021, including 7 held within a joint venture, representing over 1.6 million sq ft. 8 of these buildings are owned freehold or long leasehold. This combined with a high-quality leasehold portfolio with a weighted average unexpired term of 16 years provides a strong and robust foundation for years to come.

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 remains connected to the needs of its customers. This enables the Group to respond by driving the continual enhancement of the service and amenities in our space, particularly in wellness, food & beverage, technology and sustainability.

Strategy

TOG's core objective is to achieve meaningful growth via acquisition opportunities, capitalizing on the market shift across all sizes of business towards more flexible and design-led working environments. The impact of COVID-19 has led to an acceleration in the pre-existing trend toward flexibility, variety and amenity in work setting. Large corporates are increasingly viewing flexible workspace as a core part of their real estate strategy, TOG expects this shift to continue and for flexible workspace to form a larger part of their space take.

The driving force behind the significant steps taken in advancing our technology, wellness and amenities is our focus on enhancing member experience. TOG continually evaluates its product in line with forecasted trends, ensuring it maintains agility to meet the changing needs of its members. TOG has invested in the technology and people to develop and deliver more sophisticated systems with a direct benefit to the member experience.

TOG 4 Limited

Group Strategic Report (continued) for the Year Ended 31 December 2021

Trends and factors

COVID-19 has accelerated trends impacting how people work and live. The way that people want to engage with spaces has changed and TOG has been able to capitalize on that through the workspaces that the Group provides. TOG's offering has always been keeping pace with these changes which has meant that our organization has been able to adapt to the changing market.

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, wellness and sustainability 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.

During 2021 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 an improved technology offer, revised layouts and furniture settings and new health and safety protocols.

Since the year end more and more people are returning to offices and our buildings are beginning to reach pre Covid-19 occupancy levels which supports this trend. 2022 also saw an increase in the number of journeys on the London underground network following the government ending its work from home guidance.

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. Although a significant portion of the Group's regular operating costs are fixed, some will be impacted by rising inflation and energy price increases. As well as continue to monitor licence fee rates, occupancy and costs we also have a dedicated Procurement team who negotiate cost efficient contracts and where possible make our buildings as energy efficient as we can to control costs. 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. TOG's international expansion into Germany further mitigates the risk by providing greater opportunities for market growth and diversification.

While the economy is recovering, short- and medium-term inflationary pressures are becoming embedded in market expectations. To monitor the effects of this on the Group, we regularly track the construction costs of developments versus expectations and any inflationary impacts on those costs to understand the impact on our business.

TOG 4 Limited

Group Strategic Report (continued) for the Year Ended 31 December 2021

Principal risks and uncertainties (continued)

Covid-19 uncertainty

The Group's performance continues to be impacted by the coronavirus pandemic but to a much lesser extent than in 2020. Occupancy for December 2021 was 78% vs 68% at December 2020. The main risk to the Group in relation to the pandemic is the potential emergence of new variants and the efficacy of vaccines to new strains, necessitating further lockdowns but this risk has reduced substantially.

The Directors have considered the going concern assumption in light of Covid-19 and the potential ongoing impact on customers and the underlying performance of the Group's assets. Given the impact on the ways people work as a result of the pandemic, this is expected to increase the demand for TOG's product. TOG has confidence that this trend will continue as people have now, at least in part, return to the offices and companies are permanently adjusting their real estate strategies to incorporate a higher proportion of flexible office space. This is particularly true of high quality, modern office space, which is becoming an increasingly important part of the overall employee offer. This is further evidenced by the growing number of listed landlords who are recognising this shift and increasing their exposure to the sector. Based on the Group's continued forecast liquidity, the Directors still consider it appropriate to prepare the accounts on a going concern basis.

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

The Group 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 Group are reviewed regularly and options for alternative sources of funding monitored. Existing arrangements will mature in February 2024.

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 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 Group complies with, and where possible is ahead of current regulations. As a matter of policy, the Group 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. The Group also monitors sanction lists on a regular basis to ensure the latest restrictions are adhered to. 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.

TOG 4 Limited

Group Strategic Report (continued) for the Year Ended 31 December 2021

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's primary focus in 2021 was the improvement of data quality to enable future decision making. Tracking our scope 1 and 2 emissions accurately and developing scope 3 emissions reporting and embodied carbon frameworks.

- Scope 1 – this looks at Green House Gas (GHG) emissions that we make directly — for example running boilers and company vehicles.
- Scope 2 - these are the emissions we make indirectly – for example when the electricity or energy we buy for heating and cooling buildings
- Scope 3 - in this category go all the emissions associated, not with the company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, Purchasing products from its suppliers, waste generation, employee commuting to work and business travel.

TOG has employed sustainability policies focused on developing higher performance buildings, improving operational efficiency and enabling long term strategic improvement. This includes a 3-year commitment to renewable energy, improvements in recycling rates and the construction of London's largest cross laminated timber office building at our new development, the Black and White Building in Shoreditch.

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 for the group over the coming years.

TOG 4 Limited

Group Strategic Report (continued) for the Year Ended 31 December 2021

Financial performance and Business Review

Given the impact of the pandemic hasn't fully unwound the business performed well during the year, with trading improving from May 2021 following the lifting of Covid restrictions, generating revenue of £114,248k, a decrease of £1,417k over the prior period. Sales momentum was strong during Q4 as the business trended back towards normal stabilised trading levels. Pricing in the most prime locations and in newly opened buildings was above budgeted levels and, in many cases, ahead of rates achieved pre-pandemic. The recovery in less central locations took longer than expected but is expected to catch up. Freehold Property values remain very robust with a large amount of capital looking at Central London offices.

The Group made an operating profit of £12,525k (2020 - £26,693k) in the year. Excluding fair value movements, operating profit is £14,553k (2020 - £41,263k) in the year. The Group generated EBITDA of £27,716k (2020 - £37,170k) in the year. EBITDA excluding fair value movements is £29,744k (2020 - £51,741k). During the year two buildings were opened at Liberty in February 2021 and Brock House in May 2021. Angel Square was closed on the 31st December 2021.

The value of TOG's freehold investment property portfolio increased by £32,103k (2020 - decreased by £12,869k). No additions or disposals of freehold investment property were made during the year. See note 13 investment property.

The directors do not recommend payment of a dividend.

TOG announced on 14th March 2022 that there was a proposal to merge with another flexible workspace provider, Fora, subject to regulatory approval by the Competition and Markets Authority (CMA).

With the demand for flexible workspaces growing rapidly, the merger would bring together two highly complementary businesses within the flexible sector, businesses that have similar cultures, values & visions for the future. The combined group would comprise of 72 premier locations across both the UK and Germany, with a plan to continue to grow.

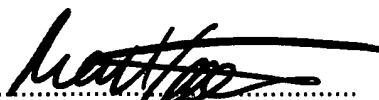
The proposed merger is still awaiting approval by the CMA, with no update on the status from them at the date these accounts were signed. The merger is expected to complete between August – October 2022 but again, this will depend on the outcome from the CMA.

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 Group and Company for the benefit of shareholders, whilst considering the potential impact of those decisions on the Group'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 Group's reputation and acting fairly for all members of the Group.

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 Group in achieving its long-term growth objectives.

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


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M Green
Director

Date: 02/08/2022

TOG 4 Limited

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

The principal activity of the Group is that of a provider of flexible office space and related services. TOG 4 Limited is a holding Company.

Dividends

The Directors do not recommend payment of a final dividend for the year ended 31 December 2021 (2020 - None).

Directors

The directors who served during the year and up to the date of signing this report were:

C Green
M Green
G Katakya
O Olsen

Share issue

On the 22 December 2021 the Company issued 22,316,000 shares for £1 each for cash.

Going concern

The Group reports a net loss of £40,674k for the year (2020 - £21,917k) and the Company reports a loss of £1k (2020 - £10k). The Group has net current liabilities of £113,385k (2020 - £79,813k) and the Company has net current liabilities of £29k (2020 - £28k). The Group has net assets of £173,874k (2020 - £192,230k) and the Company has net assets of £155,117k (2020 - £132,802k). The Group has cash and cash equivalents of £16,381k (2020 - £24,351k) and the Company has cash and cash equivalents of £Nil (2020 - £Nil).

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources for the foreseeable future and a minimum of 12 months from the date of signing the financial statements. In adopting the going concern basis for preparing the financial statements, the directors have considered the Group's principal risks and uncertainties and business review as set out in the strategic report.

To assess whether it is appropriate to prepare the financial statements on a going concern basis, the Directors have undertaken a detailed review of the current and projected financial position of the Group for a period of at least 12 months from the date of approval of these financial statements.

The review involved preparing two forecast scenarios; 1) base scenario and 2) severe but plausible downside scenario. The assumptions built into the downside scenario include reductions in occupancy, increases in credit risk, higher than expected inflation and interest rates. 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. The Directors have received a letter from Cheetah Holdco Limited, the Group's indirect parent undertaking, indicating its intent to provide additional funding to the Group and that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period. Cheetah Holdco Limited has received a similar letter from its indirect parent undertaking Cheetah Wild Holdco Limited (Jersey) which has also received a similar letter from its indirect parent undertakings, Blackstone Real Estate Partners Europe V and Blackstone Real Estate Partners VIII. As is the case for any entity placing reliance on other related 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.

Consequently, the directors are confident that the Group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and

TOG 4 Limited

Directors' Report (continued) for the Year Ended 31 December 2021

therefore have prepared the financial statements on a going concern basis.

Streamlined Energy and Carbon Reporting (SECR)

The company and Group is exempt from the requirement to include Streamlined Energy and Carbon Reporting ('SECR') data due to this information being included in the group report of the Ultimate Parent Undertaking, Cheetah Holdco Limited. The Group report is prepared for the same financial year end as the Company and complies with the SECR requirements as set out in Part 7A of Schedule 7 of the Companies Act.

Directors' responsibilities

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company 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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance UK-adopted International accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group'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 and the Group's auditor is aware of that information.

TOG 4 Limited

Directors' Report (continued) for the Year Ended 31 December 2021

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


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M Green
Director

Date: 02/08/2022

TOG 4 Limited

Independent Auditor's Report to the Members of TOG 4 Limited

Opinion

We have audited the financial statements of TOG 4 Limited ("the company") for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group's business model and analysed how those risks might affect the group and 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 group or 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 group or the company will continue in operation.

TOG 4 Limited

Independent Auditor's Report to the Members of TOG 4 Limited (continued)

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 Group'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.

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 Group management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates such as impairment and revaluation assumptions; and
- the risk that licence fee revenue is recorded in the wrong period.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

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 from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group 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.

TOG 4 Limited

Independent Auditor's Report to the Members of TOG 4 Limited (continued)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 7, 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 group and parent 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 group or the parent company or to cease operations, or have

TOG 4 Limited

Independent Auditor's Report to the Members of TOG 4 Limited (continued)

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.



Paul Barron (Senior Statutory Auditor)
For and on behalf of KPMG LLP, statutory auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

Date: 2nd August 2022

TOG 4 Limited

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	4	114,248	115,665
Operating costs	5	(99,716)	(74,401)
Other operating income		21	-
Movement in fair value of investment properties - in year revaluations	13	(2,028)	(14,571)
EBITDA*		27,716	37,170
Depreciation and amortisation		(15,191)	(10,477)
Operating profit		12,525	26,693
Share of post-tax (loss)/profit of equity accounted joint ventures	14	(2,263)	306
Impairment of intangibles	11	-	(2,936)
Finance income	9	-	12
Finance expense	9	(44,585)	(43,740)
Loss before taxation		(34,323)	(19,665)
Tax on loss	10	(6,351)	(2,252)
Loss for the financial year		(40,674)	(21,917)
Total comprehensive loss for the year		(40,674)	(21,917)
Loss for the year attributable to:			
Owners of the parent Company		(40,674)	(21,917)
		(40,674)	(21,917)

All amounts relate to continuing operations, except for the sale of a subsidiary in the prior year.

* EBITDA is operating profit before depreciation and amortisation.

All amounts relate to continuing operations.

The notes on pages 21 to 65 form part of these financial statements.

TOG 4 Limited
Registered number:11123480

**Consolidated Balance Sheet
as at 31 December 2021**

	Note	2021 £000	2020 £000
Non-current assets			
Intangible assets	11	9,239	10,703
Goodwill	11	111,290	111,290
Property, plant and equipment	12	94,359	95,765
Investment property	13	1,171,401	1,048,207
Investments	14	32,067	34,330
Total non-current assets		1,418,356	1,300,295
Current assets			
Trade and other receivables	15	38,163	38,005
Tax receivable		-	174
Bank and cash balances	16	16,381	24,351
Total current assets		54,544	62,530
Total assets		1,472,900	1,362,825
Current liabilities			
Trade and other payables	17	(128,012)	(98,456)
Lease liabilities	19	(39,917)	(43,395)
Tax payable		-	(492)
Total current liabilities		(167,929)	(142,343)
Non-current liabilities			
Other interest bearing loans and borrowings	18	(373,409)	(371,013)
Lease liabilities	19	(706,872)	(611,824)
Deferred taxation	20	(50,816)	(45,415)
Total non-current liabilities		(1,131,097)	(1,028,252)
Total liabilities		(1,299,026)	(1,170,595)
Net assets		173,874	192,230

TOG 4 Limited
Registered number:11123480

Consolidated Balance Sheet (continued)
as at 31 December 2021

	Note	2021 £000	2020 £000
Equity attributable to owners of the parent company			
Share capital	21	22,316	-
Foreign exchange reserve		2	-
Retained earnings	21	151,556	192,230
Total equity		173,874	192,230

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


.....
M Green
Director

Date: 02/08/2022

The notes on pages 21 to 65 form part of these financial statements.

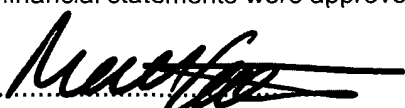
TOG 4 Limited
Registered number:11123480

Company Balance Sheet
as at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Investments	14	155,146	132,830
Total assets		<u>155,146</u>	<u>132,830</u>
Current liabilities			
Trade and other payables	17	(29)	(28)
Total liabilities		<u>(29)</u>	<u>(28)</u>
Net assets		<u>155,117</u>	<u>132,802</u>
Capital and reserves			
Share capital	21	22,316	-
Retained earnings	21	132,801	132,802
Total equity		<u>155,117</u>	<u>132,802</u>

The Company's loss for the year was £1k (2020 - £10k).

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

.....

M Green
 Director

Date: 02/08/2022

The notes on pages 21 to 65 form part of these financial statements.

TOG 4 Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £000	Foreign exchange reserve £000	Retained earnings £000	Equity attributable to owners of parent Company £000	Total equity £000
Balance at 1 January 2020	-	-	214,147	214,147	214,147
Comprehensive loss for the year					
Loss for the year	-	-	(21,917)	(21,917)	(21,917)
Balance at 31 December 2020	-	-	192,230	192,230	192,230
Comprehensive loss for the year					
Loss for the year	-	-	(40,674)	(40,674)	(40,674)
Currency translation differences	-	2	-	2	2
Contributions by and distributions to owners					
Shares issued during the year	22,316	-	-	22,316	22,316
Balance at 31 December 2021	22,316	2	151,556	173,874	173,874

The notes on pages 21 to 65 form part of these financial statements.

Refer to note 21 for description of equity balances and movements.

TOG 4 Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	-	132,812	132,812
Comprehensive loss for the year			
Loss for the year	-	(10)	(10)
Balance at 31 December 2020	-	132,802	132,802
Comprehensive loss for the year			
Loss for the year	-	(1)	(1)
Contributions by and distributions to owners			
Shares issued during the year	22,316	-	22,316
Balance at 31 December 2021	22,316	132,801	155,117

The notes on pages 21 to 65 form part of these financial statements.

Refer to note 21 for description of equity balances and movements.

TOG 4 Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the financial year	(40,674)	(21,917)
Adjustments for:		
Depreciation and amortisation	15,191	10,477
Impairments of intangible assets	-	2,936
Change in value of investment property	2,028	14,571
Finance expense	44,585	43,740
Finance income	-	(12)
Share of post-tax loss/(profit) of equity accounted joint venture	2,263	(306)
Income tax expense	6,351	2,252
Increase/(decrease) in trade and other receivables	(1,451)	(5,720)
Increase in trade and other payables	23,645	179
Foreign exchange differences	2	-
Income taxes received	25	842
Net cash generated from operating activities	51,965	47,042
Cash flows from investing activities		
Purchase of intangible assets	(1,101)	(3,398)
Purchase of property, plant and equipment	(8,803)	(19,743)
Purchase of investment properties	(8,170)	(6,226)
Net cash used in investing activities	(18,074)	(29,367)

TOG 4 Limited

Consolidated Statement of Cash Flows (continued) for the Year Ended 31 December 2021

	2021 £000	2020 £000
Cash flows from financing activities		
Issue of ordinary shares	22,316	-
Finance income	-	12
Interest paid	(43,046)	(43,740)
Proceeds from bank borrowings	904	5,540
Repayment of finance leases	(22,035)	(5,517)
Net cash used in financing activities	(41,861)	(43,705)
Net decrease in cash and cash equivalents	(7,970)	(26,030)
Cash and cash equivalents at beginning of year	24,351	50,381
Cash and cash equivalents at the end of year	16,381	24,351

The notes on pages 21 to 65 form part of these financial statements.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1. Statutory information

TOG 4 Limited is a private company incorporated, domiciled and registered in England in the UK. The registered business number is 1123480 and the registered business address is 1 Bartholomew Lane, London, EC2N 2AX.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and Joint Ventures. The parent company financial statements present information about the Company as a separate entity and not about its Group.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in Pound Sterling, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- 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;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-D, 40A-D, 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 of IAS 24 'Related Party Disclosures'; and
- 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.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

The preparation of financial statements in compliance with UK-adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The consolidated financial statements are prepared on a going concern basis. Further information on going concern is provided within note 2.3 Going Concern.

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial Instruments – Fair value through profit or loss
- Investment property – Fair value through profit or loss

New standards, interpretations and amendments adopted from 1 January 2021

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

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021. The amendments provide relief to the Group in respect of certain loans (note 18) whose contractual terms are affected by interest benchmark reform.

Applying the practical expedient introduced by the amendments, when the benchmarks affecting the Group's loans are replaced, the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss, which may have been required if the practical expedient was not available or adopted.

As at 31 December 2021, the Group expects the affected bank loans to transition to alternative interest rate benchmarks by the end of 2022.

New standards, interpretations and amendments not yet effective

The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

The following amendments are effective for the period beginning 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).

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

The following amendments, which have been issued by the IASB but have not yet been adopted by the UKEB, are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

Other

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

Profit and loss account presentation

The directors have reviewed the presentation of the profit and loss account and consider items to be more appropriately presented using the "by nature" format as this benefits the reader of the financial statements. Detail on the nature of the expenses incurred during the year can be seen in more detail under note 5. In preparing the financial statements the "by nature" format has been adopted. This has also been applied to the comparative financial information and this has been represented onto the same basis. The adjustments have not affected previously reported profit or loss or net assets.

2.2 Basis of consolidation

The Group financial statements consolidate the financial statements of TOG 4 Limited and all of its subsidiary undertakings ('subsidiaries') drawn up to 31 December 2021 using the merger method of accounting.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of the elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The accounting treatment for the Group reorganisation is scoped out of IFRS 3. The introduction of the new holding company was accounted for as a capital reorganisation using the merger accounting

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

principles prescribed.

Where merger accounting has been used (due to group re-organisation), the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration. In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous reporting date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to a separate merger reserve.

2.3 Going concern

The Group reports a net loss of £40,674k for the year (2020 - £21,917k) and the Company reports a loss of £1k (2020 - £10k). The Group has net current liabilities of £113,385k (2020 - £79,813k) and the Company has net current liabilities of £29k (2020 - £28k). The Group has net assets of £173,874k (2020 - £192,230k) and the Company has net assets of £155,117k (2020 - £132,802k). The Group has cash and cash equivalents of £16,381k (2020 - £24,351k) and the Company has cash and cash equivalents of £Nil (2020 - £Nil).

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources for the foreseeable future and a minimum of 12 months from the date of signing the financial statements. In adopting the going concern basis for preparing the financial statements, the directors have considered the Group's principal risks and uncertainties and business review as set out in the strategic report.

To assess whether it is appropriate to prepare the financial statements on a going concern basis, the Directors have undertaken a detailed review of the current and projected financial position of the Group for a period of at least 12 months from the date of approval of these financial statements.

The review involved preparing two forecast scenarios; 1) base scenario and 2) severe but plausible downside scenario. The assumptions built into the downside scenario include reductions in occupancy, increases in credit risk, higher than expected inflation and interest rates. 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. The Directors have received a letter from Cheetah Holdco Limited, the Group's indirect parent undertaking, indicating its intent to provide additional funding to the Group and that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period. Cheetah Holdco Limited has received a similar letter from its indirect parent undertaking Cheetah Wild Holdco Limited (Jersey) which has also received a similar letter from its indirect parent undertakings, Blackstone Real Estate Partners Europe V and Blackstone Real Estate Partners VIII. As is the case for any entity placing reliance on other related 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.

Consequently, the directors are confident that the Group and company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the consolidated statement of profit or loss and other comprehensive income as an expense as incurred. Employee costs directly associated with development of the intangible assets are capitalised to cost.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the consolidated statement of profit or loss and other comprehensive income 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 and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Brand	- 5 years
Customer relationships	- 15 years
Other intangibles	- 3 - 5 years

The fair values on above intangible assets have been calculated using the following valuation techniques:

- Royalty relief approach - Brand: This considers the discounted estimated royalty payments that are expected to be avoided as a result of the brand being owned.
- Excess earnings method - Customer relationships: This considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

2.5 Property, plant and equipment

Property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

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
Short-term leasehold property	- over the period of the lease

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.6 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.

2.7 Investment property

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property includes right-of-use assets arising from property leases, measured according to IFRS 16 Leases, and property held on a freehold basis, measured in accordance with IAS 40 Investment Properties. Valuation methods are set out in note 13 Investment property.

Freehold investment property

Investment property held in accordance with IAS 40 Investment Properties is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and other costs incurred in order to bring the property to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

Investment property under construction is initially measured at cost including transaction costs. Subsequent to initial recognition, investment property under construction is stated at fair value less any costs payable in order to complete.

The fair value is determined by a professional internal valuer as set out in note 13. The valuations have been prepared in accordance with the Royal Institute of Chartered Surveyors Valuations - Professional Standards January 2017 ("the Red Book"). Factors effecting the valuation include current market conditions, annual rentals, lease lengths and location.

Additions to properties include costs of a capital nature only. Expenditure is classified as capital when it results in identifiable future economic benefits which are expected to accrue to the Group. All other property expenditure is written-off in the consolidated statement of profit or loss and other comprehensive income as incurred.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of retirement or disposal.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.7 Investment property (continued)

Right of use investment property

The right-of-use assets arising from property leases is subsequently remeasured to fair value in line with IAS 40 Investment Properties, with remeasurement being recognised in the statement of profit and loss. Remeasurement is made on reporting date, and fair value movement is calculated as the difference between the present value of current passing lease or lease payments over the fixed term of the lease, and the present value of market-related lease payments over the same term. The discount rate applied is the same discount rate as applied to discount future cash flows to calculate the lease liability at recognition date.

Non-property leases are subsequently measured at cost less depreciation, calculated on the straight line over the non-cancellable term of the lease - similar to other items of property, plant and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The right-of-use asset will indirectly also be adjusted for certain remeasurements of the lease liability, by virtue of the cash flows and term of the lease being adjusted.

2.8 Investments in debt and equity securities

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

2.9 Joint arrangements

The Group is party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principals as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group's interest in joint ventures was initially recognised at fair value (deemed cost). Subsequent to initial recognition, joint ventures are accounted for using the equity method, where the Group's share of post acquisition profits and losses is recognised in the consolidated statement of Profit and Loss and Other Comprehensive Income.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.10 Financial assets

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

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in the finance income or expense line. Other than the Group's interest rate derivative which is not designated as a hedging instrument, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

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.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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 statement of financial position.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.11 Financial liabilities

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

2.11.1 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 statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

2.11.2 Other financial liabilities include the following items:

- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- 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.
- Lease liabilities are recognised and measured according to note 2.14 Leases.

2.12 Derivative financial instruments

Derivative financial instruments, comprising interest rate caps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value being the estimated amount that the Group would receive or pay to terminate the agreement at the reporting date, taking into account current interest rate expectations and the current credit rating of counterparties. The gain or loss at each fair value remeasurement date is recognised in the consolidated statement of profit or loss and other comprehensive income. Amounts payable or receivable under such arrangements are included within finance costs.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.14 Leases

At inception of a contract, the Group 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.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Refer to Investment property accounting policy for details on subsequent measurement of right of use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The incremental borrowing rate is determined as being the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset, in a similar economic environment. The Group has applied a portfolio approach in determining a single discount rate for leases with similar characteristics.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.14 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the balance sheet.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Low value-leases are considered to be all leases where the individual value of the underlying assets is below £500, or where the lease is equal to or shorter than one year.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group's licensing agreements are all classified as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'revenue'.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.15 Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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 Group's business model which is to generate value in the form of capital appreciation.

Deferred tax assets and liabilities are offset when the Group 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 on either:

- The same taxable Group company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settle or recovered.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.16 Revenue

Revenue comprises rent and license fees in relation to the provision of office space, as well as ancillary charges for additional services including telephone, IT, other support services and meeting rooms. Revenue is recognised exclusive of VAT on an accruals basis.

Licence fee revenue and IT services revenue are billed monthly in advance and recognised when the performance obligations of providing the space and IT access to the licensee are fulfilled. Revenue is recognised over time as the services are provided. For the provision of other ancillary charges and meeting rooms, revenue is recognised at a point in time, as and when the performance obligation of providing the service or meeting room to the customer has been fulfilled. Rent receivable is spread on a straight-line basis over the period of the lease. When the billing profile is not uniform this results in a balance of accrued or deferred income at each reporting date until the licence term is complete.

The directors are of the opinion that the Group is engaged in a single segment, being the investment in and operation of flexible workspaces in the UK only.

The Group generates licence fee revenue from licence agreements and rental income from traditional leases that are similar in substance. Revenue from licence agreements is recognised over time in line with IFRS 15 'Revenue from Contracts with Customers' and rental income from leases is recognised over time in line with IFRS 16 'Leases'.

The method of revenue recognition is the same under IFRS 15 and IFRS 16 for the licence fee and rental income generated by the Group.

2.17 Government grants

Coronavirus Job Retention Scheme (CJRS) claims are recognised and measured as government grants. Proceeds from CJRS claims submitted during 2021 and 2020, are presented as a credit to salary and wage expenses.

2.18 Borrowing costs

Interest incurred on Group borrowings used to fund the construction or production of an asset that necessarily takes a substantial amount of time to get ready for intended use are capitalised as part of the cost of that asset, net of interest received on cash drawn down yet to be expended. The Group does not incur any other interest costs that qualify for capitalisation.

2.19 Finance income

Finance income is recognised as interest accrues on cash balances held by the Group. Where any interest is charged to a tenant on any overdue rental income, this would also be recognised within finance income.

2.20 Finance expense

Any finance expenses that are separately identifiable and directly attributable to the acquisition or construction of an asset that takes a period of time to complete are capitalised as part of the cost of the asset. All other finance expenses are recognised in the period in which they relate. Finance expense consists of interest and other costs that an entity incurs in connection with bank and other borrowings.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2. Accounting policies (continued)

2.21 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 income statement in the periods during which services are rendered by employees.

2.22 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Critical accounting estimates and judgements

The Group 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

1. Investment property
2. Impairment of goodwill

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

3. Critical accounting estimates and judgements (continued)

Estimates:

Fair valuation of investment property

The market value of freehold and long leasehold investment property is determined, by either an internal or external real estate valuation expert, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation expert used the recognised valuation techniques and the principles of both IAS 40 and IFRS 13. The valuations have been prepared in accordance with the Royal Institute of Chartered Surveyors Valuation - Professional Standards January 2017 ("the Red Book"). Factors reflected include current market conditions, annual rentals and location. The significant methods and estimates used by valuers in estimating the fair value of investment property are set out in note 13. The market value of leasehold right of use assets are determined by calculating the present value of estimated market related cash flows over the period of the lease.

Estimated market rental values (ERVs) of each active lease in the portfolio are used to calculate net present value of the market based fixed lease cash flows. The estimated market rental values for the remainder of the leases are used to estimate the fair value of the right-of-use asset, by discounting to present value using the incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the Group would be required to borrow at to obtain a similar value right-of-use asset over a similar term, and is based on the Group's effective interest rate at 31 December 2021, which is a floating rate of 3.68% based on LIBOR plus margin of 2.62%.

Impairment of goodwill

The Group determines whether goodwill is permanently impaired on an annual basis or otherwise when changes in events or situations indicate that the carrying value may not be recoverable. Refer to note 11 for more details on goodwill impairment review.

Lease liabilities

The Group has made key judgements in the process of applying the entity's accounting policies for leases under IFRS 16, that have a significant effect on the amounts recognised in the financial statements. The Group has also made assumptions about the future which impact the business.

Critical judgements made as part of initial application and subsequent measurement of the leases under IFRS 16:

- Leases with extension options have not been adjusted to include the extension periods beyond the term defined in the lease agreements, due to the level of uncertainty at the current point of the leases. The average remaining life of leases held by the Group is 16 years, with extension options mainly becoming exercisable in the last 5 years of the leases. At 31 December 2021, it is not certain whether extension options will be exercised, as the performance of leased buildings cannot be forecast or analysed accurately enough to conclude on.
- The only variable payments the Group makes on leases held by the Group is for profit share agreements, where the landlord shares in the profit made on the property under lease, based on metrics specified in the lease agreement. Payments made in the year ending 31 December 2021 were recognised in the statement of profit and loss and totaled £843,475 (2020 - £714,656).

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

3. Critical accounting estimates and judgements (continued)

Key sources of estimation and uncertainty include:

- Separate discount rates for the leases in the Group has been applied where the modified retrospective approach has been applied as part of transition, and the portfolio approach was applied.

Portfolio 1: Active leases subject to the external financing perimeter

A single discount rate for the leases in the Group has been applied where the modified retrospective approach has been applied as part of transition. The rate applied to discount future lease cash flows to present value is the incremental borrowing rate (IBR) of 4.37% and is based on the effective interest rate for financing secured for development of properties in the Group. This rate was applied for all leases that commenced before the end of March 2020. Following the emergence of the COVID-19 pandemic at the start of 2020, underlying LIBOR rates were lowered after March 2020, which resulted in a decrease of the IBR for the portfolio of leases held by the Company. The discount rate for the period from April 2020 to 31 December 2020 was 3.61%. The discount rate for the period from January 2021 to 31 December 2021 was 3.67%. Lease modifications recognised at year end are discounted using this rate as discount rate.

Portfolio 2: Active leases outside of the external financing perimeter

The rate applied to discount future lease cash flows to present value is the incremental borrowing rate of 3.75% and is derived from average unadjusted property yields of commercial real estate properties in similar geographical areas. This includes all of the leases held within the TOG UK Properties Limited legal entity. The derived incremental borrowing rate has not changed during the year ending 31 December 2021.

Long leaseholds

The discount rate applied for existing finance leases at initial application were derived property yield rates at inception of the leases. For the Stanley building a discount rate of 5.25% was applied, and for Tintagel House a rate of 5.4% was applied and remained unchanged during the year.

- Reversionary leases that have been agreed to commence in future periods, that relate to current active leases, are treated as lease modifications as it is considered highly probable that the reversionary lease will commence due to the commitment already showed by investing in the related current active leases. The cash flow profile is amended in the period the agreement for lease is agreed.
- No estimates have been made regarding variable lease payments dependent on an index or rate. Where applicable, indices at initial application have been used and applied prospectively. The impact of changes in the cash flow profile of leases due to the rent reviews or terms linked to indices or rates, are assessed annually and recognised as remeasurements or modifications in the period they are agreed or completed. The Group uses published rates and indices as published by HM Treasury where relevant, unless rates are specifically defined in the lease (or where a collar increase is specified in the lease).
- No estimates have been made regarding variable lease payments subject to open market rent reviews required as part of lease agreements. The impact of changes in the cash flow profile of leases due to the completion of open market rent reviews, are assessed annually and recognised as remeasurements or modifications in the period they are agreed or completed. Lease liabilities will be remeasured in line with requirements of IFRS 16 in the year that open market rent reviews are completed and future cash flows are accurately determinable.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

4. Revenue

Revenue arising from:

	2021 £000	2020 £000
Licence fee and rental income - IFRS 15	77,285	85,277
Other services income - IFRS 15	14,016	12,873
Licence fee and rental income - IFRS 16	22,947	17,515
	<u>114,248</u>	<u>115,665</u>

All turnover arose within the United Kingdom.

Of the revenue recognised in line with IFRS 15 'Revenue from Contracts with Customers', £8,950k (2020 - £8,495k) was recognised at a point in time, and the remainder was recognised over time.

5. Operating costs

	2021 £000	2020 £000
Rent	858	217
Building operating costs	40,486	31,722
Staff related costs	18,771	15,651
Depreciation and amortisation	15,191	10,477
Other operating costs	24,410	16,334
	<u>99,716</u>	<u>74,401</u>

6. Auditor's remuneration

	2021 £000	2020 £000
Audit of these financial statements	23	11
Audit of financial statements of subsidiaries of the Company	258	229

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	32	74
Taxation advisory services	-	21

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

7. Employees

Staff costs were as follows:

	Group 2021 £000	Group 2020 £000
Wages and salaries	15,521	13,182
Social security costs	2,016	1,299
Pension costs	544	677
	<u>18,081</u>	<u>15,158</u>

Salary and wages expenses are presented net of proceeds of £317k (2020 - £1,605k) from Coronavirus Job Retention Scheme (CJRS) claims submitted during 2021. CJRS claims are recognised and measured as government grants.

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Admin	193	214
Operations	126	155
	<u>319</u>	<u>369</u>

8. Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	2021 £000	2020 £000
Wages and salaries	1,808	1,303
Social security contributions and similar taxes	172	176
Pension costs	50	51
	<u>2,030</u>	<u>1,530</u>

The aggregate of remuneration of the highest paid Director was £803k (2020 - £555k) including pension contributions of £19k (2020 - £24k).

Directors costs are borne by Cheetah Holdco Limited, the ultimate parent of the TOG 4 Group. The figures presented in this note represent the qualifying services provided by the directors to the Group.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

9. Finance income and expense

	2021 £000	2020 £000
Finance income		
Bank interest receivable	-	12
	<u> </u>	<u> </u>
	2021 £000	2020 £000
Finance expense		
Bank interest payable	13,742	14,945
Other loan interest payable	1,449	1,645
Interest on lease liabilities	29,394	27,150
	<u> </u>	<u> </u>
	<u>44,585</u>	<u>43,740</u>

10. Tax expense

	2021 £000	2020 £000
Corporation tax		
Adjustments in respect of prior year	(343)	(293)
	<u> </u>	<u> </u>
Total corporation tax	<u>(343)</u>	<u>(293)</u>
Deferred tax		
Origination and reversal of timing differences	(4,569)	(3,025)
Effect of tax rate change on opening balance	13,292	4,892
Adjustments in respect of prior year	(2,029)	678
	<u> </u>	<u> </u>
Total deferred tax	<u>6,694</u>	<u>2,545</u>
	<u> </u>	<u> </u>
Taxation on profit on ordinary activities	<u>6,351</u>	<u>2,252</u>

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10. Tax expense (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	(34,323)	(19,665)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(6,521)	(3,736)
Effects of:		
Expenses not deductible for tax purposes	8,551	1,717
Non taxable income	(10,045)	2,769
Expenses deductible for tax purposes not booked to P&L	-	(97)
Losses not recognised for tax purposes	-	9
Adjustment to tax charge in respect of previous periods (current and deferred tax)	(2,372)	385
Chargeable gains/(losses)	3,586	(2,807)
Fair value adjustments	(1,499)	(170)
Group relief surrendered/(claimed)	12	(710)
Effect of tax rate change on opening deferred tax balances	-	4,892
Effect of transfers of trade and assets in group reorganisation	(521)	-
Remeasurement of deferred tax for changes in tax rates	11,620	-
Movement in deferred tax not recognised	3,540	-
Total tax charge for the year	6,351	2,252

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2020 - 19%).

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11. Intangible assets

Group

	Brand £000	Other intangibles £000	Customer relationships £000	Goodwill £000	Total £000
Cost					
At 1 January 2021	3,343	8,620	6,867	111,290	130,120
Additions	-	1,101	-	-	1,101
At 31 December 2021	3,343	9,721	6,867	111,290	131,221
Amortisation					
At 1 January 2021	2,341	4,183	1,603	-	8,127
Charge for the year	669	1,438	458	-	2,565
At 31 December 2021	3,010	5,621	2,061	-	10,692
Net book value					
At 31 December 2021	333	4,100	4,806	111,290	120,529
At 31 December 2020	1,002	4,437	5,264	111,290	121,993

Please see next page for the table in respect of prior year.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11. Intangible assets (continued)

Group

	Brand £000	Other intangibles £000	Customer relationships £000	Goodwill £000	Total £000
Cost					
At 1 January 2020	3,343	5,222	6,867	111,290	126,722
Additions	-	3,398	-	-	3,398
At 31 December 2020	3,343	8,620	6,867	111,290	130,120
Amortisation					
At 1 January 2020	1,673	831	1,145	-	3,649
Charge for the year	668	416	458	-	1,542
Impairment charge	-	2,936	-	-	2,936
At 31 December 2020	2,341	4,183	1,603	-	8,127
Net book value					
At 31 December 2020	1,002	4,437	5,264	111,290	121,993
At 31 December 2019	1,670	4,391	5,722	111,290	123,073

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11. Intangible assets (continued)

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 on-going improvement to our data warehouse, as well as the continuing enterprise resource planning system implementation.

The Group has identified multiple cash generating units (CGUs), with each individual building considered to be a CGU. Goodwill and intangible assets that arise on consolidation are allocated to the buildings on the basis of the buildings forming a group of CGUs, and impairment is assessed by management on the same basis. The level at which impairment is tested reflects the lowest level at which goodwill and intangible assets are monitored for internal reporting purposes. The group is considered to consist of a single operating segment and goodwill has been assessed for impairment accordingly. Goodwill is tested for impairment on an annual basis.

Other intangible assets have a finite useful life in line with the Group's accounting policy, and are not tested for impairment annually. Impairment indicators are considered by management, and no impairment indicators translated into a risk of impairment of other intangible assets in the current year.

Goodwill, intangible assets and other intangible assets are included in the calculation of carrying value of the assets of the group of CGUs, which is subjected to the annual test of impairment by comparing the carrying value to the recoverable amount. All intangible assets are considered critical to the CGUs' ability to generate operating cashflows.

The recoverable amount of the group of CGUs has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

Value in Use Approach

The recoverable amount of the group of CGUs is determined based upon a value in use calculation. Value-in-use is established by discounting anticipated future cash flows attributable to each cash generating unit that goodwill has been allocated to. Pre-tax cash flow projections are based on financial budgets approved by management covering the next financial period and projections for three future periods. Cash flows beyond the three-year period have been extrapolated using long-term growth rates of 2.0%. Post-tax free cash flows are then discounted to calculate the net present value of the future cash flows – which constitute the recoverable amount of the group of CGUs.

Based on the annual impairment test, no impairment of any intangible assets has arisen, including on goodwill, and there is adequate headroom between the CGUs' recoverable amount and the carrying value.

Key Assumptions

The key assumptions are based upon the historic performance of the Group combined with relevant market data. The calculation of value-in-use is most sensitive to the following assumptions:

EBITDA - this reflects the Directors' best estimate of the performance of the Group, taking into account the client renewal rate over the past 3 years and completion of remaining building refurbishments at the end of 2021. Operating costs include lease payments under operating leases and corporate overheads sufficient to grow the business to maturity with the current building portfolio.

Future forecast capital expenditure – this includes costs incurred to bring the current development buildings to completion and is expected to decrease to maintenance expenditure levels in order to sustain mature revenue performance.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11. Intangible assets (continued)

Discount rate – A discount rate of 8.01% (pre-tax discount rate of 8.07%) has been used, this reflects the Directors' estimate of an appropriate market rate of return taking into account the risk factors applicable to the Group.

Growth rate – A growth rate of 2.0% has been used to extrapolate between the plan years and the terminal value. A growth rate of 2.0% has been determined based on the average client renewal rate over the past 3 years, and the average property yield rate for the geographical areas the Group's core properties operate in over the previous eight years.

Terminal value growth rate – growth is assumed to continue beyond the forecast period as the average client renewal rate is expected to continue. There are no indicators that this will slow beyond the forecast period and this assumption trends in line with the long-term target inflation rate from the Bank of England.

Sensitivity to Changes in Assumptions

The impairment calculation is sensitive to changes in the above assumptions. Sensitivity analyses were performed to model the effects of adverse changes over the growth rate assumptions and the post-tax discount rate.

The headroom for impairment is assessed at a CGU level as dictated by IAS 36 and does not directly correspond to a consolidation of statutory entities but rather the assets in operation at the point of Blackstone acquisition in 2017, as those were the assets that gave rise to the Goodwill. As such, the headroom for impairment is calculated subject to the carrying value of that CGU, which incorporates the total balance of Goodwill at acquisition - part of which is held at Cheetah Bidco Ltd shown below:

	£
The Office Group Holdings Limited	111,289,587
Cheetah Bidco Limited	56,417,197
Goodwill arising on acquisition	167,706,784

The table below shows how the headroom would be impacted (with all other variables being equal) by a decrease in the long-term growth rate of 0.5% or an increase in the post-tax discount rate of 0.5%.

The CGU is not impaired but if the long-term growth rate decreased by 0.5% or the post-tax discount rate increased by 0.5% there would be an impairment. If management were to exclude the value of Goodwill recognised in Cheetah Bidco Ltd (£56,417k) from the carrying value of the CGU as part of the sensitivity analysis, there would be an uplift to Headroom and no impairment. Given the historical growth the Group has experienced and the market outlook, management do not expect the already conservative growth rate to decrease further. Nor does management expect the discount rate to increase beyond the current level as this would not align with the Group's target capital structure.

	0.5% decrease in the growth rate	0.5% increase in the post-tax discount rate
Headroom	(41,744,875)	(31,149,711)

Management have considered any changes in value arising from factors since acquisition and concluded that there was no material or significant change in the underlying assumptions that would result in a further significant impairment charge in the consolidated income statement.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12. Property, plant and equipment

Group

	Short-term leasehold property £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2021	97,115	21,119	118,234
Additions	9,148	2,072	11,220
At 31 December 2021	<u>106,263</u>	<u>23,191</u>	<u>129,454</u>
Depreciation			
At 1 January 2021	12,088	10,381	22,469
Charge for the year	5,930	6,696	12,626
At 31 December 2021	<u>18,018</u>	<u>17,077</u>	<u>35,095</u>
Net book value			
At 31 December 2021	<u>88,245</u>	<u>6,114</u>	<u>94,359</u>
At 31 December 2020	<u>85,027</u>	<u>10,738</u>	<u>95,765</u>

At the year end the Group has £Nil (2020 - £Nil) capital commitments.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12. Property, plant and equipment (continued)

In respect of prior year:

Group

	Short-term leasehold property £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2020	80,368	18,123	98,491
Additions	16,757	2,996	19,753
Disposals	(10)	-	(10)
At 31 December 2020	97,115	21,119	118,234
Depreciation			
At 1 January 2020	7,112	6,422	13,534
Charge for the year	4,976	3,959	8,935
At 31 December 2020	12,088	10,381	22,469
Net book value			
At 31 December 2020	85,027	10,738	95,765
At 31 December 2019	73,256	11,701	84,957

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13. Investment property

Group	Freehold investment properties £000	Right of use investment properties £000	Properties under construction £000	Total £000
Cost or valuation				
At 1 January 2021	190,623	828,881	28,703	1,048,207
Additions	53	125,745	11,564	137,362
Remeasurements/modifications of right of use assets	-	(12,140)	-	(12,140)
Surplus/(deficit) on revaluation	26,771	(34,131)	5,332	(2,028)
At 31 December 2021	217,447	908,355	45,599	1,171,401

In respect of prior year:

Group	Freehold investment properties £000	Right of use investment properties £000	Properties under construction £000	Total £000
Cost or valuation				
At 1 January 2020	223,876	713,887	2,001	939,764
Additions	22	104,033	6,561	110,616
Remeasurements/modifications of right of use assets	-	12,663	-	12,663
Deficit on revaluation	(12,869)	(1,702)	-	(14,571)
Adjustment to prior year accruals	(265)	-	-	(265)
Transfers between classes	(20,141)	-	20,141	-
At 31 December 2020	190,623	828,881	28,703	1,048,207

Restrictions and obligations

At 31 December 2021, there were no restrictions on the reliability of investment property or the remittance of income and proceeds of disposal.

There are currently no obligations to construct or develop the existing investment properties.

As at the year-end the Group has £Nil (2020 - £Nil) capital commitments.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13. Investment property (continued)

Fair value measurement

The freehold and long leasehold investment properties were revalued at 31 December 2021 by Cushman & Wakefield.

Leasehold right of use assets were remeasured to fair value at 31 December 2021 by the directors of TOG 4 Limited.

The fair value of investment property is categorised as a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2021 £000	2020 £000
Opening balance (level 3 recurring fair values)	1,048,207	939,764
Effect of adoption of IFRS 16	-	-
Pre-adoption of IFRS 16 reclassifications	-	-
Additions	137,362	110,616
Remeasurements/modifications to right of use assets	(12,140)	12,663
Revaluations in the year - freehold	32,103	(12,869)
Revaluations in the year - long leasehold	(14,252)	(1,563)
Revaluations in the year - short leasehold	(19,879)	(139)
Adjustment to prior year accruals	-	(265)
Closing balance (level 3 recurring fair values)	1,171,401	1,048,207

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of investment properties, as well as the inter-relationship between key unobservable inputs and fair value, is detailed below:

Tenure	Type of valuation	Valuation techniques used	Key unobservable inputs	Relationship between key unobservable inputs and fair value
Freehold and long leasehold right of use assets	Underlying asset revalued	A combination of the comparable evidence approach and the income approach using earnings generated by each property is used	Yield 4.25% - 6.00% (2020 - 5% - 6.25%)	Higher yield reduces fair values
Leasehold right of use asset	Present value of current lease cash flows, over the period of the lease, revalued to present value of market related cash flows	Estimated market rental values of each active lease in the portfolio is used to calculate net present value of the market-based fixed lease cash flows.	Midpoint estimated rental values per square foot for similar properties in similar areas on the market - based on current active portfolio. Discount rates derived from incremental borrowing rate (where relevant) or property yield rates - on an individual lease basis.	Higher estimated rental value increases fair values. Higher discount rate reduces fair values.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13. Investment property (continued)

The fair value measurement is based on the above items' highest and best use, which does not differ from their actual use.

During the year, £114,248k (2020 - £111,328k) was recognised in the consolidated statement of profit and loss and other comprehensive income in respect of income generated by investment properties.

Direct operating expenses including repairs and maintenance arising from investment properties amounted to £41,852k (2020 - £77,237k).

Bank borrowings are secured on the Group's freehold and long leasehold land and buildings. Interest capitalised at the period end amounted to £Nil (2020 - £Nil) which represents 0% (2020 - 0%) of the total interest expense for the period.

Assets under construction relate to freehold properties, which are measured at cost as they are still in development. Upon completion, they will be transferred to Investment Properties.

The historic cost of freehold and long leasehold investment properties was £118,840k (2020 - £107,638k).

Leases as lessor

The Group leases out some of its investment property consisting of its owned commercial properties as well as leased property under short-term licensing agreements. Licence agreements are not classified as operating leases as licence agreements do not transfer substantially all of the risks and rewards incidental to the ownership of the assets, and the licence holder does not have the right to direct the use of the asset.

Operating leases

The Group has selected operating leases that meet the definition a lease and that conveys the right to use and direct the use of the leased space.

Operating lease income recognised by the Group during 2021 was £22,947k (2020 - £17,515k).

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13. Investment property (continued)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 £000	2020 £000
Less than one year	30,222	14,691
One to two years	12,992	5,460
Two to three years	2,708	3,627
	<u>45,922</u>	<u>23,778</u>

The Group does not have any finance leases as a lessor.

14. Investments

Group

	Investment in joint ventures £000
Cost	
At 1 January 2021	34,330
Share of post-tax losses of equity accounted joint ventures	(2,263)
At 31 December 2021	<u>32,067</u>
Net book value	
At 31 December 2021	<u>32,067</u>
At 31 December 2020	<u>34,330</u>

The investment relates to a 50% indirect interest in The Station Office Network LLP.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14. Investments (continued)

Company

	Investments in subsidiary companies £000
Cost	
At 1 January 2021	132,830
Additions	22,316
At 31 December 2021	<u>155,146</u>
Net book value	
At 31 December 2021	<u>155,146</u>
At 31 December 2020	<u>132,830</u>

The investment relates to a 100% interest in the share capital of TOG 5 (France) Limited and TOG UK Properties Limited. During the year the company subscribed to a further £21,316k of share capital of TOG 5 (France) Limited and £1,000k of share capital of TOG UK Properties Limited.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
TOG 5 (France) Limited	Ordinary	100%	Intermediate holding company
TOG 6 Limited	Ordinary	*100%	Intermediate holding company
TOG UK Topco Ltd	Ordinary	*100%	Intermediate holding company
TOG UK Mezzco Ltd	Ordinary	*100%	Intermediate holding company
TOG UK Pledgeco Ltd	Ordinary	*100%	Intermediate holding company
The subsidiaries as stated above have the registered office address of 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX.			
TOG UK Properties Limited	Ordinary	100%	Flexible office provider
The Office Group Holdings Limited	Ordinary	*100%	Intermediate holding company
The Office Group Midco Limited	Ordinary	*100%	Intermediate holding company
The Office Group Properties Limited	Ordinary	*100%	Flexible office provider
The Office Group Limited	Ordinary	*100%	Intermediate holding company
The Office Islington Limited	A, B and Deferred	*100%	Corporate services and management company
The Office (Farringdon) Limited	Deferred and Ordinary	*100%	Flexible office provider
The Office (Shoreditch) Limited	Ordinary	*100%	Flexible office provider
The Office (Bristol1) Limited	Ordinary	*100%	Flexible office provider
The Office (Marylebone) Limited	Ordinary	*100%	Flexible office provider
The Office (Kirby) Limited	Ordinary	*100%	Flexible office provider
EOP DL Limited	Ordinary	*100%	Flexible office provider

The subsidiaries as stated above have the registered office address of 179-185 Great Portland Street, London, United Kingdom, W1W 5PL.

TOG France S.A.S.	Ordinary	*100%	Flexible office provider
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The subsidiary as stated above has the registered office address of Tour Pacific, 11/13 Cours Valmy 92977 Paris La Defense Cedex, France.

All subsidiaries have a principal place of business of the United Kingdom, with the exception of TOG France S.A.S., which has a principal place of business of France.

*shares held indirectly.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14. Investments (continued)

Joint ventures

At the year end the Company held an indirect 50% interest in The Station Office Network LLP. The principal activity of the partnership is that of a flexible office provider, and its registered office address is 179-185 Great Portland Street, London, United Kingdom, W1W 5PL.

The Group's share of post-tax losses of the joint venture for the year was £2,263k (2020 - the share of post-tax profits was £306k). Joint ventures are accounted for using the equity method, where the Group's share of profits and losses is recognised in the consolidated statement of Profit and Loss and Other Comprehensive Income.

	Aggregate of share capital and reserves	Loss
	£000	£000
The Station Office Network LLP	19,769	(4,527)

The Group's aggregate share of joint venture's net assets at the balance sheet date is as follows:

	£000
Share of assets	
Non-current assets	45,604
Current assets	6,372
	51,976
Share of liabilities	
Current liabilities	(7,260)
Non-current liabilities	(34,832)
	9,884

15. Trade and other receivables

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade receivables	5,043	8,017	-	-
Amounts owed by group undertakings	9,378	7,251	-	-
Amounts owed by joint ventures	832	14	-	-
Other receivables	9,986	10,195	-	-
Prepayments	5,277	7,680	-	-
Accrued income	7,647	3,555	-	-
Deferred taxation	-	1,293	-	-
	38,163	38,005	-	-

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15. Trade and other receivables (continued)

The carrying value of trade and other receivables classified as loans and receivables approximates to fair value. Amounts owed by group undertakings are interest free and repayable on demand.

Amounts owed by group undertakings of £9,378k (2020 - £7,251k) includes amounts of £7,705k (2020 - £7,130k) which are expected to be recovered in more than 12 months.

16. Bank and cash balances

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash at bank	16,381	24,351	-	-
	<u>16,381</u>	<u>24,351</u>	<u>-</u>	<u>-</u>

£2,553k (2020 - £2,073k) of the cash balance at year end relates to restricted cash for tenant deposit deeds.

17. Trade and other payables

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade payables	6,814	5,812	-	2
Amounts owed to group undertakings	47,471	40,962	27	26
Amounts owed to joint ventures	1,611	1,861	-	-
Other taxation and social security	2,355	6,955	-	-
Other payables	33,490	21,844	-	-
Accruals	34,202	20,711	2	-
Deferred income	2,069	311	-	-
	<u>128,012</u>	<u>98,456</u>	<u>29</u>	<u>28</u>

Other payables in 2021 and 2020 primarily comprise security deposits. Amounts owed to group and joint venture undertakings are interest free and payable on demand.

Amounts owed to group undertakings of £47,471k (2020 - £40,962k) includes amounts of £47,471k (2020 - £40,962k) which are expected to be settled in more than 12 months.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

18. Other interest bearing loans and borrowings

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Non-current borrowings				
Bank loans	376,081	375,177	-	-
Unamortised arrangement fees	(2,672)	(4,164)	-	-
	<u>373,409</u>	<u>371,013</u>	<u>-</u>	<u>-</u>
	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Due after more than one year				
Repayable between two and five years	<u>376,081</u>	<u>375,177</u>	<u>-</u>	<u>-</u>

Unamortised arrangement fees of £2,672k as at 31 December 2021 includes £1,446k (2020 - £1,564k) expected to be amortised within 1 year.

The bank loan is secured by fixed and floating charges over the assets of the Group. The debt facilities mature in February 2024. Any associated fees in arranging the bank borrowings unamortised as at the year end are offset against amounts drawn on the facilities as shown in the note above.

Movement in the bank loans balance during the year relates to capex facility drawdowns on the senior and mezzanine financing facilities. At 31 December 2021, none of the senior and mezzanine capex facilities remained undrawn.

The Group's and Company's facilities have an interest charge which is based based on a margin above the 3 month weighted average margin above LIBOR. The weighted average margin payable by the Group on its debt portfolio as at the period end was 3.57% (2020 - 3.57%).

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19. Leases

Leases and lease commitments

The Group leases commercial office space and offers the space to customers under licence agreements that do not transfer the risks and rewards of ownership of the underlying assets. The Group's property lease terms are typically between 15 to 20 years, but individual leases may be longer depending on negotiated terms. The average remaining lease term of the Group's portfolio is as follows:

	2021 Years	2020 Years
Short leasehold portfolio (26 active leases)	14	14
Long leasehold portfolio (2 active leases)	89	90

At 31 December 2021, the Group has no uncommenced commitments to leases.

Leases are typically subject to market rent reviews, index-linked increases or step increases defined within the lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases or leases of low-value items.

Lease remeasurements and lease modifications

Inflationary rent reviews - There were no lease remeasurements in 2021 as a result of inflationary rent reviews.

Renegotiated lease terms - The terms of the leases of one short leasehold property resulted in a remeasurement of the related right of use asset and lease liability. The renegotiated terms changed the scope of the underlying lease contracts by reducing the lease term. The change in cash flows due to lease modifications was discounted using a discount rate of 3.67% (refer to Critical accounting estimates and judgements). The discounted impact of all renegotiated lease terms (remeasurements and modifications) was £4,771k.

Variable payments

There were no in-substance fixed payments identified for any leases during the year-ended 31 December 2021. Other variable payments such as profit share payments were recognised in profit or loss during the year ended 31 December 2021 when the event or condition that triggered the payments occurred.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19. Leases (continued)

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The extension options held are exercisable only by the Group and not by the lessors. The Group continuously considers extension options, but due to the average length of lease terms it is unlikely that a decision will be made until closer to the option date. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances. The Group has not estimated potential future lease payments from extension options at 31 December 2021, and have not included extension options in calculation of the present value of lease liabilities. No lease extension options, apart from reversionary leases agreed, have been exercised during the year ended 31 December 2021 and no future changes have been assumed at year end.

Lease liabilities are presented in the balance sheet as follows:

	2021 £000	2020 £000
Lease liability brought forward	655,219	543,947
Reclassification of finance leases	-	-
Additions / remeasurements / modifications in the year	113,604	117,380
Interest charged	29,394	27,150
Lease payments - including prepaid rent costs offset against lease liability	(51,428)	(33,258)
Lease liability carried forward	746,789	655,219

Lease liability

Lease liabilities are presented in the balance sheet as follows:

	2021 £000	2020 £000
Current lease liability	39,917	43,395
Non-current lease liability	706,872	611,824
Total lease liability (net of prepaid rent)	746,789	655,219

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19. Leases (continued)

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of long and short lease liabilities at 31 December 2021 is as follows:

	Within 1 year £000	2 - 5 years £000	More than 5 years £000	Total £000
31 December 2021				
Lease payments	52,980	263,333	778,277	1,094,590
Finance charges	(31,146)	(111,159)	(192,022)	(334,327)
Prepaid rent at 31 December 2021	(13,474)	-	-	(13,474)
Net present values (net of prepaid rent)	8,360	152,174	586,255	746,789
31 December 2020				
Lease payments	43,395	227,513	723,411	994,319
Finance charges	(27,997)	(100,757)	(204,901)	(333,655)
Prepaid rent at 31 December 2020	(5,445)	-	-	(5,445)
Net present values (net of prepaid rent)	9,953	126,756	518,510	655,219

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

20. Deferred taxation

Group

	2021 £000	2020 £000
At beginning of year	(44,122)	(41,577)
Charged to profit or loss	(6,694)	(2,545)
At end of year	(50,816)	(44,122)
	Group 2021 £000	Group 2020 £000
Accelerated capital allowances	(5,520)	(8,082)
Capital gains	(31,848)	(20,618)
IFRS 16 right of use asset fair value adjustment	(18,520)	(15,652)
Provisions	45	34
Loan relationship asset	4	4
Tax losses asset	6,308	1,383
Intangibles on business combination	(1,285)	(1,191)
	(50,816)	(44,122)
Comprising:		
Asset - due within one year	-	1,293
Liability	(50,816)	(45,415)
	(50,816)	(44,122)

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

21. Share capital and other reserves

Company

Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
22,316,258 (2020 - 258) Ordinary A shares of £1.00 each	22,316,258	258

On the 22 December 2021 the Company issued 22,316,000 shares for £1 each for cash.

Other reserves

Share premium records the amount above the nominal value for shares sold. On 28 November 2018 a reduction of share premium of £263,000k was undertaken which was credited to retained earnings, thereby creating sufficient distributable reserves to effect the declaration and payment of a dividend of £130,170k.

The foreign exchange reserve records the exchange differences arising upon translation of foreign entities into presentational currency. It represents the difference between recording the foreign assets and liabilities at the closing rate and the foreign income and expenses at the rates on the dates of the transactions.

Retained earnings includes all current and prior period retained profits and losses.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22. Financial instruments - risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Trade and other payables
- Floating-rate bank loans
- Interest rate caps

	Financial assets at fair value through profit or loss 2021 £000	Loans and receivables 2021 £000	Financial assets at fair value through profit or loss 2020 £000	Loans and receivables 2020 £000
Financial assets				
Cash and cash equivalents	-	16,381	-	24,351
Trade and other receivables	-	20,858	-	19,152
	<u>-</u>	<u>37,239</u>	<u>-</u>	<u>43,503</u>

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22. Financial instruments - risk management (continued)

	Group Financial liabilities at amortised cost 2021 £000	Company Financial liabilities at amortised cost 2021 £000	Group Financial liabilities at amortised cost 2020 £000	Company Financial liabilities at amortised cost 2020 £000
Financial liabilities				
Trade and other payables	41,100	-	34,165	-
Other interest bearing loans and borrowings	1,122,870	-	1,030,396	-
	<u>1,163,970</u>	<u>-</u>	<u>1,064,561</u>	<u>-</u>

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and other interest bearing loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates to their fair value.

Financial instruments measured at fair value

There were no financial instruments measured at fair value in the current or prior years.

There were no transfers between levels during the period.

There were no changes to the valuation techniques during the period.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk from the Group's customers is very low as the Group holds deposits for each customer and can deny access to services if payment is outstanding. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22. Financial instruments - risk management (continued)

Further disclosures regarding trade and other receivables, which are neither past due or impaired, are provided in note 15.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk arises for the Group from its use of variable interest bearing instruments (interest rate risk).

The Group finances its operation through a mixture of retained profits and external borrowings. The Group borrows at both fixed and floating rates of interest and then utilises interest rate swaps and caps to generate the desired interest and risk profile. Although the Board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During 2021, the Group's borrowings at variable rate were denominated in Pound Sterling.

At 31 December 2021, if interest rates on Pound Sterling denominated borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax for the period would have been £3,737k (2020 - £3,477k) lower/higher.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section above.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each Group entity is managed centrally by the Group finance function.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 December 2021				
Trade and other payables	126,451	-	-	-
Other interest bearing loans and borrowings	-	410,972	-	-
	<u>126,451</u>	<u>410,972</u>	<u>-</u>	<u>-</u>

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

22. Financial instruments - risk management (continued)

	Up to 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 December 2020				
Trade and other payables	95,644	-	-	-
Other interest bearing loans and borrowings	38,670	45,132	513,583	433,193
	<u>134,314</u>	<u>45,132</u>	<u>513,583</u>	<u>433,193</u>

Capital disclosures

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group monitors the ratio of bank borrowings to long term property assets. Long term property assets is calculated as the net book value of freehold investment properties and short leasehold property shown in property, plant and equipment.

23. Related party transactions

Included within turnover is £993k (2020 - £278k) 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. Included within trade and other payables is a working capital balance of £772k (2020 - £1,861k) owed to The Station Office Network LLP and £1,342k (2020 - £1,132k) of expenses were incurred by the partnership on behalf of the Group in the year. The Office Islington Limited charged The Station Office Network LLP employee costs of £224k (2020 - £569k). The balance due at the year end was £Nil (2020 - £929k). The Office Group Properties Limited charged The Station Office Network LLP employee costs of £442k (2020 - £Nil). The balance due at the year end was £80k (2020 - £nil).

The Group is related to Blackstone Property Management Limited by virtue of being a under common control. During the year the Group incurred administrative costs on behalf of Blackstone Property Management Limited of £nil (2020 - £2k) of which £nil (2020 - £nil) was outstanding at year end.

The Group is related to BRE Europe UK Limited by virtue of being under common control. During the year the Group incurred administrative costs on behalf of BRE Europe UK Limited of £84k (2020 - £120k) of which £nil (2020 - £Nil) was outstanding at year end.

TOG 4 Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

23. Related party transactions (continued)

Included within trade and other payables is £29,952k (2020 - £40,808k) owing by The Office Group Properties Limited and The Office Islington Limited to Cheetah Holdco Limited, the ultimate indirect parent of the Group, and a further £1,877k (2020 - £153k) owed to entities in the Cheetah Holdco Limited Group but outside the Group. Included within trade and other receivables is £7,566k (2020 - £5,939k) owing by related entities in the Cheetah Holdco Limited Group but outside the Group, and an amount of £1,812k (2020 - £1,312k) receivable from Cheetah Holdco Limited.

24. Events after the reporting date

Proposed merger:

TOG announced on 14th March 2022 that there was a proposal to merge with another flexible workspace provider, Fora, subject to regulatory approval by the Competition and Markets Authority (CMA).

With the demand for flexible workspaces growing rapidly, the merger would bring together two highly complementary businesses within the flexible sector, businesses that have similar cultures, values & visions for the future. The combined group would comprise of 72 premier locations across both the UK and Germany, with a plan to continue to grow.

The proposed merger is still awaiting approval by the CMA, with no update on the status from them at the date these accounts were signed. The merger is expected to complete between August – October 2022 but again, this will depend on the outcome from the CMA.

PIK Loan notes:

Since the year end Blackstone have injected cash in the form of PIK Loan notes issued by Cheetah Bidco Limited. Cheetah Bidco Limited is an indirect subsidiary of Cheetah Holdco Limited. These PIK Loan notes amount to £32m and £23m issued during February 2022 and June 2022 respectively.

25. Controlling party

The Company is a subsidiary undertaking of Cheetah-Wild Holdco Limited which is the ultimate parent company incorporated in Jersey. The accounts of Cheetah-Wild Holdco Limited are not available to the public. The immediate parent company is TOG 3 (Ireland) Ltd, registered in the United Kingdom.

The largest group in which the results of the Company are consolidated is Cheetah Holdco Limited. The smallest group in which the Company is consolidated is that headed by TOG 4 Limited, registered in the UK.

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