TOG 4 Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 11123480

TOG 4 Limited

Company Information

Directors	C Green M Green G Kataky 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 2020

Introduction

The directors present their Strategic report for TOG 4 Limited ("the Group") for the year ended 31 December 2020.

Organisational overview

TOG 4 Limited (the "Company) was incorporated on 22 December 2017. On 27 February 2018, as part of a group restructure, the Company acquired an indirect interest in The Office Group Holdings Limited and became a subsidiary of Cheetah Holdco Limited and an indirect parent of the trading entities hereafter referred to as The Office Group (TOG).

The merger accounting method was used to account for the common control transaction on 27 February 2018, therefore the prior period financial statements of the TOG 4 Limited consolidated group were presented as if the business combination occurred at the beginning of the earliest comparative period being 1 June 2017, the date that The Office Group Holdings Limited acquired the trading group.

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 43 locations at 31 December 2020, including 4 managed properties and 7 held within a joint venture, representing over 1.5 million sq ft. 9 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, capitalising on the market shift across all sizes of business towards more flexible and design-led working environments. The impact of COVID-19 and government guidance that encourages working from home has been 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.

Trends and factors

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

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

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

Principal risks and uncertainties

Economic Downturn

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

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

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

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

Client Retention

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

Financial Market Volatility

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 continues to monitor the impact of the coronavirus pandemic very closely. The buildings have remained open during lockdown and TOG has taken the necessary steps to make its buildings safe for clients, with workspaces supporting physical distancing and new health and safety protocols.

Regulatory Risk

The Directors ensure the 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. Another key area of focus is the requirement to comply with increasing health and safety as well as environmental regulations. This is one of the factors driving the development of the flexible office market due to the increasing administrative burden it forces on small businesses.

Environment, Social and Governance

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

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

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

Financial performance

The business performed well during the year generating revenue of £115,665k, a decrease of £3,311k over the prior period. Following a strong first quarter capitalising from buildings that opened and matured during 2019 the group has seen a decline in occupancy due to the impact on trading caused by the pandemic. The Directors were pleased with the resilience of the member base given the difficult trading environment.

The Group made an operating profit of £26,693k (2019 - £116,803k) in the year. Excluding fair value movements, operating profit is £41,264k (2019 - £46,920k) in the year. The Group generated EBITDA of £37,170k (2019 - £125,315k) in the year. EBITDA excluding fair value movements is £51,741k (2019 - £55,432k). In 2019 the EBITDA excluding fair value movements increased significantly upon adoption of IFRS 16 and elimination of the operating lease expense in 2019.

The value of TOG's freehold investment property portfolio decreased by £12,869k (2019 – increased by £13,966k). See note 14 Investment property.

The directors do not recommend payment of a dividend.

S172 statement

The directors confirm that during the year under review, through their business decisions, they have acted to promote the long term success of the 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: 29/06/2021

TOG 4 Limited

Directors' Report
for the Year Ended 31 December 2020

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

Principal activity

The principal activity of the 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 2020 (2019 - None).

Directors

The directors who served during the year were:

C Green
M Green
G Kataky
O Olsen

Going concern

The Group reports a net loss of £21,917k for the year (2019 - profit of £70,232k) and the Company reports a loss of £10k (2019 - £8k). The Group has net current liabilities of £79,813k (2019 - £53,123k) and the Company has net current liabilities of £28k (2019 - £18k). The Group has net assets of £192,230k (2019 - £214,147k) and the Company has net assets of £132,802k (2019 - £132,812k). The Group has cash and cash equivalents of £24,351k (2019 - £50,381k) and the Company has cash and cash equivalents of £Nil (2019 - £Nil).

The directors, having made appropriate enquiries, have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the Group's accounts. 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.

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

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

Streamlined Energy and Carbon Reporting (SECR)

The Group has always placed high importance on sustainability and from inception has implemented a range of initiatives across its buildings to reduce its impact on the environment. This has never been more important than now, and the Group continues to develop its strategic road map toward becoming Net Carbon Zero. The Group is pleased to adopt the UK government's policy on Streamlined Energy and Carbon Reporting (SECR) in the current financial year ending 31 December 2020 and publicly report on its carbon emissions and global energy use for the first time.

Reporting has been conducted in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. Energy and fuel consumption have been converted to carbon (KGCO2e) using 2020 DEFRA published conversion factors. Fuel for Transportation has been converted using statistical data sets published by Department of Transport. For landlord properties where metered data has not been available, the portfolio energy benchmark figures of 12.60 kWh/sqft electricity and 2.97 kWh/sqft gas have been used to provide consumption data.

Table 1: Energy and emissions – Mature Group Assets*

Reporting Category	Year Ending: Dec-20	Year Ending: Dec-19	Change
Energy consumption used to calculate emissions from: Electricity, Natural Gas and District Heating (kWh)	**9,934,152**	**10,056,828**	**(1)%**
Total Gross TCO2e from combustion of gas (Scope 1)	342	490	(30)%
Total Gross TCO2e from purchased electricity and heating (Scope 2)	1,856	1,866	(1)%
Total Gross TCO2e (Location-based)	**2,198**	**2,356**	**(7)%**
Intensity ratio: Gross TCO2e/SQM	**0.032**	**0.035**	**(9)%**
Additional intensity ratio: net TCO2e/SQM	0.025	0.035	(29)%

** Provides the energy and emission information related to the Group's mature assets. This is not a mandatory disclosure, but instead illustrates that mature operation assets held by the Group have seen a reduction in energy consumption year on year. Disclosures include all majority owned subsidiaries and exclude joint venture assets, assets in development or yet to reach maturity.*

Table 2: Energy and emissions – Group assets**

Reporting Category	Year Ending: Dec-20	Year Ending: Dec-19	Change
Energy consumption used to calculate emissions from: Electricity, Natural Gas and District Heating (kWh)	**14,999,208**	**13,414,028**	**12 %**
Total Gross TCO2e from combustion of gas (Scope 1)	419	581	(28)%
Total Gross TCO2e from purchased electricity and heating (Scope 2)	2,939	2,597	13 %
Total Gross TCO2e (Location-based)	**3,358**	**3,178**	**6 %**
Intensity ratio: Gross TCO2e/SQM	**0.028**	**0.026**	**8 %**
Additional Intensity ratio: Net TCO2e/SQM (Market-based)	0.021	0.026	(19)%

***Provides the energy and emission information required to comply with SECR. Only this table is mandatory to comply with SECR. The directors have elected not to report on indirect operational emissions (Scope 3 voluntary disclosure). Disclosures include all majority owned subsidiaries and exclude joint venture assets.*

Streamlined Energy and Carbon Reporting (SECR) (continued)

Energy Efficiency Actions

The Group is pleased to be able to report a reduction in energy consumption during the year across its mature building portfolio. It is also pleased to announce that 95% of its electricity now comes from renewable energy sources across its buildings with managed meters. During the 2020 financial year the Group implemented several energy efficiency improvements, including:

- **Lighting**: newly constructed offices in 2020 fit-out with energy efficient lighting
- **Solar Panels:** new UK buildings delivered in 2020 included installation of new solar panels
- **Plant Control Strategy:** reduced operating hours by 302 hours per week, resulting in ~25% run hour reduction in winter and ~40% in summer
- **Recycled Materials:** all newly constructed offices and refurbishments incorporate recycled materials wherever possible including flooring, furniture and glass.

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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 their 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 with IFRSs as adopted by the EU;
- 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.

Auditor

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

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

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M Green
Director

Date: 29/06/2021

KPMG

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 2020 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 2020 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.

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

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.

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.

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

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 8, 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 no realistic alternative but to do so.

KPMG

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

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

P Barron

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

Date: 29th June 2021

TOG 4 Limited

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

	Note	2020 £000	2019 £000
Revenue	4	**115,665**	118,976
Administrative expenses	6	**(74,401)**	(72,140)
Other operating income	5	**-**	84
Movement in fair value of investment properties - in year revaluations	14	**(14,571)**	99,133
Movement in fair value of investment properties - on adoption of IFRS 16		**-**	(29,250)
EBITDA		**37,170**	125,315
Depreciation and amortisation		**(10,477)**	(8,512)
Operating profit	6	**26,693**	116,803
Share of post-tax profit of equity accounted joint ventures	15	**306**	7,723
Profit on sale of subsidiary		**-**	52
Impairment of intangibles	12	**(2,936)**	-
Finance income	10	**12**	6
Finance expense	10	**(43,740)**	(40,222)
Movement in fair value of interest rate derivative		**-**	(184)
(Loss)/profit before taxation		**(19,665)**	84,178
Tax on (loss)/profit	11	**(2,252)**	(13,946)
(Loss)/profit and total comprehensive (expense)/income		**(21,917)**	70,232
(Loss)/profit for the year attributable to:			
Non-controlling interests		**-**	40
Owners of the parent Company		**(21,917)**	70,192
		(21,917)	70,232

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

The notes on pages 21 to 67 form part of these financial statements.

TOG 4 Limited
Registered number:11123480

Consolidated Balance Sheet
as at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	12	**10,703**	11,783
Goodwill	12	**111,290**	111,290
Property, plant and equipment	13	**95,765**	84,957
Investment property	14	**1,048,207**	939,764
Investments	15	**34,330**	34,024
Total non-current assets		**1,300,295**	1,181,818
Current assets			
Trade and other receivables	16	**38,005**	30,848
Tax receivable		**174**	230
Cash and cash equivalents		**24,351**	50,381
Total current assets		**62,530**	81,459
Total assets		**1,362,825**	1,263,277
Current liabilities			
Trade and other payables	17	**(98,456)**	(99,163)
Lease liabilities	19	**(43,395)**	(35,419)
Tax payable		**(492)**	-
Total current liabilities		**(142,343)**	(134,582)
Non-current liabilities			
Other interest bearing loans and borrowings	18	**(371,013)**	(364,037)
Lease liabilities	19	**(611,824)**	(508,528)
Deferred taxation	20	**(45,415)**	(41,983)
Total non-current liabilities		**(1,028,252)**	(914,548)
Total liabilities		**(1,170,595)**	(1,049,130)
Net assets		**192,230**	214,147

TOG 4 Limited

Registered number:11123480

Consolidated Balance Sheet (continued)
as at 31 December 2020

	Note	2020 £000	2019 £000
Equity attributable to owners of the parent company			
Share capital	21	-	-
Retained earnings	21	**192,230**	214,147
Total equity		**192,230**	214,147

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

....

M Green

Director

Date: 29/06/2021

The notes on pages 21 to 67 form part of these financial statements.

TOG 4 Limited
Registered number:11123480

Company Balance Sheet
as at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investments	15	**132,830**	132,830
Total assets		**132,830**	132,830
Current liabilities			
Trade and other payables	17	**(28)**	(18)
Total liabilities		**(28)**	(18)
Net assets		**132,802**	132,812
Capital and reserves			
Share capital	21	**-**	-
Retained earnings	21	**132,802**	132,812
Total equity		**132,802**	132,812

The Company's loss for the year was £10k (2019 - loss of £8k).

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

....

M Green

Director

Date: 29/06/2021

The notes on pages 21 to 67 form part of these financial statements.

TOG 4 Limited

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

	Share capital £000	Retained earnings £000	Equity attributable to owners of parent Company £000	Non-controlling interests £000	Total equity £000
Balance at 1 January 2019	**-**	**143,955**	**143,955**	**(80)**	**143,875**
Comprehensive income for the year					
Profit for the year	**-**	**70,192**	**70,192**	**40**	**70,232**
Contributions by and distributions to owners					
Minority interest disposed	**-**	**-**	**-**	**40**	**40**
Balance at 31 December 2019	**-**	**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**

The notes on pages 21 to 67 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 2020

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	-	132,820	132,820
Comprehensive loss for the year			
Loss for the year	-	(8)	(8)
Balance at 31 December 2019	-	132,812	132,812
Comprehensive loss for the year			
Loss for the year	-	(10)	(10)
Balance at 31 December 2020	-	132,802	132,802

The notes on pages 21 to 67 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 2020

	2020 £000	2019 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	**(21,917)**	70,232
Adjustments for:		
Depreciation and amortisation	**10,477**	8,512
Impairments of fixed assets	**2,936**	-
Change in value of investment property	**14,571**	(69,882)
Profit on sale of subsidiary	**-**	(52)
Finance expense	**43,740**	40,222
Finance income	**(12)**	(6)
Share of post-tax profits of equity accounted joint venture	**-**	(7,723)
Movement in fair value of interest rate derivative	**(306)**	184
Income tax expense	**2,252**	13,946
Decrease in trade and other receivables	**(5,720)**	4,943
Increase in trade and other payables	**179**	40,428
Income taxes received	**842**	390
Net cash (used in)/generated from operating activities	**47,042**	101,194
Cash flows from investing activities		
Purchase of intangible assets	**(3,398)**	(3,735)
Purchase of property, plant and equipment	**(19,743)**	(28,799)
Purchase of investment properties	**(6,226)**	(12,578)
Profit on sale of subsidiary	**-**	28
Net cash used in investing activities	**(29,367)**	(45,084)

Consolidated Statement of Cash Flows (continued)
for the Year Ended 31 December 2020

	2020 £000	2019 £000
Cash flows from financing activities		
Bank interest/interest on lease liabilities paid	**-**	(40,222)
Finance income	**12**	6
Interest paid	**(43,740)**	-
Proceeds from bank borrowings	**5,540**	25,985
Repayment of finance leases	**(5,517)**	(14,435)
Net cash generated from/(used in) financing activities	**(43,705)**	(28,666)
Net (decrease)/increase in cash and cash equivalents	**(26,030)**	27,444
Cash and cash equivalents at beginning of year	**50,381**	22,937
Cash and cash equivalents at the end of year	**24,351**	50,381

The notes on pages 21 to 67 form part of these financial statements.

1. Statutory information

TOG 4 Limited is a private company incorporated, domiciled and registered in England in the UK. The registered business number is 11506463 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 with international accounting standards in conformity with the requirements of the Companies Act 2006 ("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.

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

The preparation of financial statements in compliance with 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 2020

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

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

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

- Revised Conceptual Framework for Financial Reporting

New standards, interpretations and amendments not yet effective

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

The following amendment is effective for periods beginning on or after 1 June 2020:

- Covid-19-Related Rent Concessions - Amendment to IFRS 16

  Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

  (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  (c) There is no substantive change to other terms and conditions of the lease.

2. Accounting policies (continued)

2.1 Basis of preparation of financial statements (continued)

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group has elected not to apply the practical expedient.

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

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

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

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

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

The 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.

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 2020 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.

2. Accounting policies (continued)

2.2 Basis of consolidation (continued)

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 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. Accounting policies (continued)

2.3 Going concern

The Group reports a net loss of £21,917k for the year (2019 - profit of £70,232k) and the Company reports a loss of £10k (2019 - £8k). The Group has net current liabilities of £79,813k (2019 - £53,123k) and the Company has net current liabilities of £28k (2019 - £18k). The Group has net assets of £192,230k (2019 - £214,147k) and the Company has net assets of £132,802k (2019 - £132,812k). The Group has cash and cash equivalents of £24,351k (2019 - £50,381k) and the Company has cash and cash equivalents of £Nil (2019 - £Nil).

Included in the Group trade and other payables is an intercompany debt of £40,808k (2019 - £46,444k) payable to Cheetah Holdco Limited, the indirect parent of the Group. The directors of Cheetah Holdco Limited do not intend to call for repayment of the intercompany debt for a period of at least 12 months from the date of this report.

Cheetah Holdco Limited has indicated that, should it be required, it intends to support the Group to ensure it is able to meet its current liabilities for at least the next 12 months following approval of the financial statements. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

In addition to intercompany debt included in Group trade and other payables, the adoption of IFRS 16 'Leases' has resulted in current liabilities further exceeding current assets, due to the current portion of the lease liability of £43,395k (2019 - £35,419k) being included in current liabilities, whereas the corresponding right of use asset is included in investment property in non-current assets. The right of use assets are forecast to generate sufficient operating cash flows to cover the current portion of the lease liabilities.

In 2018 the Group refinanced its debt facilities, securing debt funding to 2024.

The directors, having made appropriate enquiries, have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the Group's accounts. 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. The COVID-19 pandemic, which has impacted the world, UK and property industry throughout 2020, and which remains a threat, is considered a current principal risk. The short, medium and long-term impact on economic conditions is still uncertain at the time of preparing the financial statements.

The directors specifically considered the impact of the COVID-19 pandemic as part of their assessment of the Group's ability to continue in operational existence. The directors of the Group have prepared and analysed base and sensitised cash flow forecasts that exceed a period of 12 months from the date of the authorisation of the financial statements, which consider a plausible but severe down-side scenario. Where applicable, assumptions applied include reductions of revenue below committed revenues, limiting cost base savings and assuming longer than expected recovery periods. 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.

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

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 14 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 14. 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.

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.

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.

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.

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.

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'.

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.

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 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.

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

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 14. 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 the 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 2020, which is a floating rate of 3.61% 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 12 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 14 years, with extension options mainly becoming exercisable in the last 5 years of the leases. At 31 December 2020, 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 2020 were recognised in the statement of profit and loss and totalled £715k (2019: £899k).

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
  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 revised discount rate for the period from April 2020 onwards is 3.61%. Lease modifications recognised at year end are discounted using this rate as discount rate. The cash flow profile for new short leasehold which commenced in January 2020 was discounted at the IBR of 4.37%.

  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 2020.

  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 probably 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 dependant 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.

4. Revenue

Revenue arising from:

	2020 £000	2019 £000
Licence fee and rental income	**102,792**	96,728
Other services income	**12,873**	22,248
	115,665	118,976

Of the licence fee and rental income generated, £17,515k (2019 - £8,398k) was from operating leases recognised in line with IFRS 16 'Leases', the remaining licence fee and rental income is recognised in line with IFRS 15 'Revenue from Contracts with Customers'.

5. Other operating income

	2020 £000	2019 £000
Other income	**-**	84

Other operating income relates to compensation received in respect of a compulsory purchase order for the Group's leasehold interest in Euston Square. The full amount has not been settled, but no income was accrued for 2020.

6. Expenses by nature

Included in the (loss)/profit for the year are the following:

	2020 £000	2019 £000
Depreciation and amortisation	**10,477**	8,512
Impairment	**2,936**	-
Other variable lease payments through profit and loss - turnover rent	**719**	784

7. Auditor's remuneration

	2020 £000	2019 £000
Audit of these financial statements	**11**	7
Audit of financial statements of subsidiaries of the Company	**229**	199

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

	2020 £000	2019 £000
Taxation compliance services	**74**	62
Taxation advisory services	**21**	16

8. Employees

Staff costs were as follows:

	Group 2020 £000	Group 2019 £000
Wages and salaries	**13,182**	14,062
Social security costs	**1,299**	1,552
Pension costs	**677**	467
	15,158	16,081

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

	2020 No.	2019 No.
The average monthly number of employees, including directors, during the year was	**369**	354

9. Directors' remuneration

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

	2020 £000	2019 £000
Wages and salaries	**1,303**	1,823
Social security contributions and similar taxes	**176**	255
Pension costs	**51**	52
	1,530	2,130

The aggregate of remuneration of the highest paid Director was £555k (2019 - £725k) including pension contributions of £24k (2019 - £20k).

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.

10. Finance income and expense

	2020 £000	2019 £000
Finance income		
Bank interest receivable	**12**	6

	2020 £000	2019 £000
Finance expense		
Bank interest payable	**14,945**	14,561
Other loan interest payable	**1,645**	1,857
Interest on lease liabilities	**27,150**	23,804
	43,740	40,222

11. Tax expense

	2020 £000	2019 £000
Corporation tax		
Current tax on (losses)/profits for the year	**-**	523
Adjustments in respect of prior year	**(293)**	(744)
Total corporation tax	**(293)**	(221)
Deferred tax		
Origination and reversal of timing differences	**(3,025)**	13,999
Effect of tax rate change on opening balance	**4,892**	-
Adjustments in respect of prior year	**678**	168
Total deferred tax	**2,545**	14,167
Taxation on profit on ordinary activities	**2,252**	13,946

11. Tax expense (continued)

Factors affecting tax charge for the year

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

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before tax	**(19,665)**	84,177
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**(3,736)**	15,994
Effects of:		
Expenses not deductible for tax purposes	**1,717**	308
Non taxable income	**2,769**	(18,827)
Expenses deductible for tax purposes not booked to P&L	**(97)**	-
Losses not recognised for tax purposes	**9**	2
Adjustment to tax charge in respect of previous periods (current and deferred tax)	**385**	(576)
Chargeable (losses)/gains	**(2,807)**	3,781
Fair value adjustments	**(170)**	15,358
Group relief claimed	**(710)**	(450)
Effect of tax rate change on opening deferred tax balances	**4,892**	3,247
Effect of tax rate change on closing deferred tax balances	**-**	(4,891)
Total tax charge for the year	**2,252**	13,946

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. However, this was superseded by an announcement in March 2020 to continue to apply a rate of 19%. This change was substantively enacted on 17 March 2020. As such, tax is recognised in the accounts at the prevailing corporation tax rate of 19%, including recognition of the impact to opening deferred tax balances previously recognised at 17%.

A further increase in the main UK corporation tax rate was announced in the March 2021 Budget, rising to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly and increase the deferred tax liability by £13,933k based on current gross deferred tax balances.

12. Intangible assets

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

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

12. Intangible assets (continued)

Group

	Brand £000	Other intangibles £000	Operating leases £000	Customer relationships £000	Goodwill £000	Total £000
Cost						
At 1 January 2019 (as previously stated)	3,343	-	31,161	6,867	111,290	152,661
Effect on application of IFRS 16	-	-	(31,161)	-	-	(31,161)
At 1 January 2019 (as restated)	3,343	-	-	6,867	111,290	121,500
Additions	-	3,735	-	-	-	3,735
Disposals	-	(56)	-	-	-	(56)
Transfers from tangible assets	-	1,543	-	-	-	1,543
At 31 December 2019	3,343	5,222	-	6,867	111,290	126,722
Amortisation						
At 1 January 2019 (as previously stated)	1,004	-	3,621	687	-	5,312
Effect on application of IFRS 16	-	-	(3,621)	-	-	(3,621)
At 1 January 2019 (as restated)	1,004	-	-	687	-	1,691
Charge for the year	669	418	-	458	-	1,545
Disposals	-	(27)	-	-	-	(27)
Transfers from tangible assets	-	440	-	-	-	440
At 31 December 2019	1,673	831	-	1,145	-	3,649

12. Intangible assets (continued)

	Brand £000	Other intangibles £000	Operating leases £000	Customer relationships £000	Goodwill £000	Total £000
Net book value						
At 31 December 2019	**1,670**	**4,391**	**-**	**5,722**	**111,290**	**123,073**
At 31 December 2018	2,339	-	27,540	6,180	111,290	147,349

12. Intangible assets (continued)

The transfer from tangible fixed assets in 2019 relates to a change in classification of software costs.

During the year the business undertook a detailed review of the capitalised software and website development costs, including the employee costs that had been directly associated with the development of the intangible assets.

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

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

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 is 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 2.4%. 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.

12. Intangible assets (continued)

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 opening of the remaining buildings in development at the end of 2020. 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.

Discount rate – A discount rate of 8.57% (pre-tax discount rate of 8.61%) 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 2.4% has been used to extrapolate between the plan years and the terminal value. A growth rate of 2.4% 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 five 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.

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 in the forecasts and growth assumptions.

Assuming the growth rate falls to 1.40% the headroom will be insufficient and likely result in impairment. A similar outcome results when the post-tax discount rate is increased by 1.00% (pre-tax discount rate is increased by 1.25%). Given the historical growth the Group has experienced and the market outlook, management do not expect the already prudent 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..

Management have considered any changes in value arising from factors since acquisition and concluded that there was no material or significant change in the Group operations, industry, regulatory environment, country, market or other factors would could affect the recoverable amount.

13. Property, plant and equipment

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

At the year end the Group has £Nil (2019 - £Nil) capital commitments.

13. 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 2019 (as previously stated)	58,704	12,793	71,497
Reclassification of long leasehold investment property	(254)	(2)	(256)
At 1 January 2019 (as restated)	58,450	12,791	71,241
Additions	21,918	6,881	28,799
Transfers to intangible assets	-	(1,543)	(1,543)
Disposals	-	(6)	(6)
At 31 December 2019	80,368	18,123	98,491
Depreciation			
At 1 January 2019	3,066	3,943	7,009
Charge for the year	4,046	2,921	6,967
Transfers to intangible assets	-	(440)	(440)
Disposals	-	(2)	(2)
At 31 December 2019	7,112	6,422	13,534
Net book value			
At 31 December 2019	73,256	11,701	84,957
At 31 December 2018	55,638	8,850	64,488
At 31 December 2018 (as restated)	55,384	8,848	64,232

The transfers to intangible assets in 2019 relates to a change in classification of software costs.

14. 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 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**

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 2019 (as previously stated)	288,973	-	50,025	338,998
Effect of transition to IFRS 16	-	459,785	-	459,785
Reclassification of long leasehold investment property	(139,665)	139,921	-	256
At 1 January 2019 (as restated)	149,308	599,706	50,025	799,039
Additions at cost	11,186	29,014	1,392	41,592
Surplus on revaluation	13,966	85,167	-	99,133
Transfers between classes	49,416	-	(49,416)	-
At 31 December 2019	223,876	713,887	2,001	939,764

Restrictions and obligations

At 31 December 2020, 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 (2019 - £Nil) capital commitments.

14. Investment property (continued)

Fair value measurement

The freehold and long leasehold investment properties were revalued at 31 December 2020 by C Green MRICS, a director of TOG 4 Limited and a chartered surveyor with the Royal Institute of Chartered Surveyors.

Leasehold right of use assets were remeasured to fair value at 31 December 2020 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:

	2020 £000	2019 £000
Opening balance (level 3 recurring fair values)	**939,764**	338,998
Effect of adoption of IFRS 16	-	459,785
Pre-adoption of IFRS 16 reclassifications	-	256
Additions	**110,616**	41,592
Remeasurements/modifications to right of use assets	**12,663**	-
Revaluations in the year - freehold	**(12,869)**	13,966
Revaluations in the year - long leasehold	**(1,563)**	3,162
Revaluations in the year - short leasehold	**(139)**	82,005
Adjustment to prior year accruals	**(265)**	-
Closing balance (level 3 recurring fair values)	**1,048,207**	939,764

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 5% - 6.25% (2019 - 5% - 6.25%)	Higher yield reduces fair values

14. Investment property (continued)

Tenure	**Type of valuation**	**Valuation techniques used**	**Key unobservable inputs**	**Relationship between key unobservable inputs and fair value**
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.

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, £111,328k (2019 - £118,944k) 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 £77,237k (2019 - £32,558k).

Bank borrowings are secured on the Group's freehold and long leasehold land and buildings. Interest capitalised at the period end amounted to £Nil (2019 - £1,015k) which represents 0% (2019 - 7%) 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 £107,638k (2019 - £101,056k).

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 2020 was £17,515k (2019 - £8,398k).

14. 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.

	2020 £000	2019 £000
Less than one year	**14,691**	17,515
One to two years	**5,460**	11,793
Two to three years	**3,627**	1,699
	23,778	31,007

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

15. Investments

Group

	Investment in joint ventures £000
Cost	
At 1 January 2020	**34,024**
Share of post-tax profits of equity accounted joint ventures	**306**
At 31 December 2020	**34,330**
Net book value	
At 31 December 2020	**34,330**
At 31 December 2019	34,024

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

15. Investments (continued)

Company

	Investments in subsidiary companies £000
Cost	
At 1 January 2020	**132,830**
At 31 December 2020	**132,830**
Net book value	
At 31 December 2020	**132,830**
At 31 December 2019	132,830

The investment relates to a 100% interest in the share capital of TOG 5 (France) Limited and TOG UK Properties Limited.

15. 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
TOG Fitness Limited (a)	Ordinary	*100%	Fitness 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
The subsidiary as stated above has the registered office address of Tour Pacific, 11/13 Cours Valmy 92977 Paris La Defense Cedex, France.			

*shares held indirectly.

(a) TOG Fitness Limited was dissolved on 4 February 2020.

15. 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 £306k (2019 - the share of post-tax profits was £7,723k). 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	Profit
	£000	£000
The Station Office Network LLP	24,295	1,851

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

Share of assets	**£000**
Non-current assets	**48,801**
Current assets	**7,480**
	56,281
Share of liabilities	
Current liabilities	**(8,063)**
Non-current liabilities	**(36,070)**
	12,148

16. Trade and other receivables

	Group 2020 £000	Group 2019 £000
Trade receivables	**8,017**	4,156
Amounts owed by group undertakings	**7,251**	3,197
Amounts owed by joint ventures	**14**	-
Other receivables	**10,195**	14,847
Prepayments	**7,680**	3,933
Accrued income	**3,555**	4,309
Deferred taxation	**1,293**	406
	38,005	30,848

16. 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 £7,251k (2019 - £3,197k) includes amounts of £7,130k (2019 - £3,197k) which are expected to be recovered in more than 12 months.

17. Trade and other payables

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Trade payables	**5,812**	1,114	**2**	-
Amounts owed to group undertakings	**40,962**	46,446	**26**	18
Amounts owed to joint ventures	**1,861**	1,961	**-**	-
Other taxation and social security	**6,955**	3,893	**-**	-
Other payables	**21,844**	26,578	**-**	-
Accruals	**20,711**	18,317	**-**	-
Deferred income	**311**	854	**-**	-
	98,456	99,163	**28**	18

Other payables in 2020 and 2019 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 £40,962k (2019 - £46,446k) includes amounts of £40,962k (2019 - £46,446k) which are expected to be settled in more than 12 months.

18. Other interest bearing loans and borrowings

	Group 2020 £000	Group 2019 £000
Non-current borrowings		
Bank loan	**375,177**	369,637
Unamortised arrangement fees	**(4,164)**	(5,600)
	371,013	364,037

	Group 2020 £000	Group 2019 £000
Due after more than one year		
Repayable between two and five years	**375,177**	369,637

Unamortised arrangement fees of £4,164k as at 31 December 2020 includes £1,564k (2019 - £1,400k) 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 2020, £6,300k 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% (2019 - 3.57%).

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:

	2020 Years	2019 Years
Short leasehold portfolio (24 active leases)	14	14
Long leasehold portfolio (2 active leases)	90	91

At 31 December 2020, the Group has a commitment to 1 lease that has not commenced. The lease term of the lease is 20 years, and the expected undiscounted cash flows over the lease term (excluding rent reviews) is £35,900k.

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 - Two short leasehold and one long leasehold property was remeasured in 2020 following inflationary rent reviews. The rent reviews did not change the scope of the underlying lease contracts. The discounted impact of the inflationary rent reviews was £1,200k.

Renegotiated lease terms - The terms of the leases of four short leasehold properties resulted in a remeasurement of the related right of use asset and lease liability. The renegotiated terms did not change the scope of the underlying lease contracts. For two of the properties for which lease terms were renegotiated, agreements for reversionary leases were agreed which increase the scope of the existing leases by extending the lease term. These agreements are recognised as lease modifications but not as separate leases, as the underlying assets subject to the lease remain unchanged. The change in cash flows due to lease modifications was discounted using the revised discount rate of 3.61% (refer to Critical accounting estimates and judgements). The discounted impact of all renegotiated lease terms (remeasurements and modifications) was £11,200k.

Supplemental rental review - The cash flow profile for one long leasehold property was remeasured in 2020 following inclusion of a supplemental rental charge triggered in the head lease. The scope of the underlying head lease has not changed. The discounted impact of the remeasurement was £700k.

Variable payments

There were no in-substance fixed payments identified for any leases during the year-ended 31 December 2020. Other variable payments such as profit share payments were recognised in profit or loss during the year ended 31 December 2020 when the event or condition that triggered the payments occurred.

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 2020, 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 2020 and no future changes have been assumed at year end.

Lease liabilities are presented in the balance sheet as follows:

	2020 £000	2019 £000
Lease liability brought forward	**543,947**	507,354
Reclassification of finance leases	**-**	22,014
Additions / remeasurements / modifications in the year	**117,380**	28,921
Interest charged	**27,150**	23,804
Lease payments - including prepaid rent costs offset against lease liability	**(33,258)**	(38,146)
Lease liability carried forward	**655,219**	543,947

Lease liability

Lease liabilities are presented in the balance sheet as follows:

	2020 £000	2019 £000
Current lease liability	**43,395**	35,419
Non-current lease liability	**611,824**	508,528
Total lease liability (net of prepaid rent)	**655,219**	543,947

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 2020 is as follows:

	Within 1 year	2 - 5 years	More than 5 years	Total
	£000	£000	£000	£000
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**
31 December 2019				
Lease payments	38,121	188,074	628,621	854,816
Finance charges	(24,092)	(87,372)	(191,172)	(302,636)
Prepaid rent at 31 December 2019	(8,233)	-	-	(8,233)
Net present values (net of prepaid rent)	5,796	100,702	437,449	543,947

20. Deferred taxation

Group

	2020 £000	2019 £000
At beginning of year	**(41,577)**	(27,410)
Charged to profit or loss	**(2,545)**	(14,167)
At end of year	**(44,122)**	(41,577)

	Group 2020 £000	Group 2019 £000
Accelerated capital allowances	**(8,082)**	(5,938)
Capital gains	**(20,618)**	(20,960)
IFRS 16 right of use asset fair value adjustment	**(15,652)**	(13,742)
Provisions	**34**	12
Loan relationship asset	**4**	4
Tax losses asset	**1,383**	304
Intangibles on business combination	**(1,191)**	(1,257)
	(44,122)	(41,577)
Comprising:		
Asset - due within one year	**1,293**	406
Liability	**(45,415)**	(41,983)
	(44,122)	(41,577)

21. Share capital and other reserves

Company

Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
258 (2019 - 258) Ordinary A shares of £1.00 each	**258**	258

21. Share capital and other reserves (continued)

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.

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

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	Loans and receivables	Financial assets at fair value through profit or loss	Loans and receivables
	2020	2020	2019	2019
	£000	£000	£000	£000
Financial assets				
Cash and cash equivalents	-	**24,351**	-	50,381
Trade and other receivables	-	**19,152**	-	22,941
	-	**43,503**	-	73,322

22. Financial instruments - risk management (continued)

	Group Financial liabilities at amortised cost 2020 £000	Company Financial liabilities at amortised cost 2020 £000	Group Financial liabilities at amortised cost 2019 £000	Company Financial liabilities at amortised cost 2019 £000
Financial liabilities				
Trade and other payables	**34,165**	-	32,264	-
Other interest bearing loans and borrowings	**1,030,396**	-	913,585	-
	1,064,561	-	945,849	-

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.

22. Financial instruments - risk management (continued)

Further disclosures regarding trade and other receivables, which are neither past due or impaired, are provided in note 16.

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 2020, the Group's borrowings at variable rate were denominated in Pound Sterling.

At 31 December 2020, 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 £3,477k 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000	£000	£000	£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
	134,314	45,132	513,583	433,193

22. Financial instruments - risk management (continued)

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£000	£000	£000	£000
At 31 December 2019				
Trade and other payables	97,070	-	-	-
Other interest bearing loans and borrowings	38,121	41,855	515,857	628,621
	135,191	41,855	515,857	628,621

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 £278k (2019 - £1,078k) of management fees from The Station Office Network LLP of which The Office Group Properties Limited is a member with a 50% interest in the partnership. Included within trade and other payables is a working capital balance of £1,861k (2019 - £1,961k) owed to The Station Office Network LLP and £1,132k (2019 - £973k) 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 £569k (2019 - £732k). The balance due at the year end was £929k (2019 - £Nil).

The Company was related to Creative Debuts Limited by virtue of being under common control: On 31 January 2019, the Group sold its controlling share of 51.2% in Creative Debuts for net cash proceeds of £28k, resulting in a profit on disposal of £52k.

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 £2k (2019 - £35k) of which £Nil (2019 – £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 £120k (2019 - £80k) of which £Nil (2019 – £Nil) was outstanding at year end.

23. Related party transactions (continued)

Included within trade and other payables is £40,808k (2019 - £32,659k) owing by entities in the Group to Cheetah Holdco Limited, the ultimate indirect parent of the Group, and a further £153k (2019 - £Nil) owed to entities in the Cheetah Holdco Limited Group but outside the Group. Included within trade and other receivables is £5,939k (2019 - £3,771k) owing by related entities in the Cheetah Holdco Limited Group but outside the Group, and an amount of £1,312k (2019 - £48k) receivable from Cheetah Holdco Limited.

24. Events after the reporting date

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

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

The transfer of properties and operations was completed in March 2021, with the transfer of group employees and the liquidation of legacy entities still to follow. The impact on The Office Islington Limited is uncertain at the time of preparing the financial statements.

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

The intention is for the aforementioned 5 entities, as well as The Office Group Limited, to be dissolved by September 2022.

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

All working capital balances shall be transferred in full accordingly.

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.