

# Reports & Financial Statements

For the year ended 31 March 2006

**Soho House Limited**

Company Number: 3288116



# **SOHO HOUSE LIMITED**

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**COMPANY INFORMATION**

**DIRECTORS:**

R C Hutson (Chairman)  
N K A Jones (Managing Director)  
S W Bond  
J G Brackenbury  
E N Fellner  
R H F Devereux  
H Farsi  
K H H Jones  
J K Ohlson  
A D Hill  
C Sade (resigned 25 December 2005)  
N Champ (appointed 23 May 2005)  
S Skinner (appointed 23 May 2005)  
P H Chittick (appointed 5 October 2005)  
B A Page (appointed 11 July 2006)

**SECRETARY:**

A D Hill

**COMPANY NUMBER:**

3288116

**REGISTERED OFFICE:**

3-5 Bateman Street  
LONDON W1D 4AG

**AUDITORS:**

Mazars LLP  
24 Bevis Marks  
LONDON EC3A 7NR

**BANKERS:**

Royal Bank of Scotland Plc  
280 Bishopsgate  
LONDON EC2M 4RB

**SOLICITORS:**

Withers LLP  
16 Old Bailey  
LONDON EC4M 7EG

## MANAGING DIRECTOR'S REPORT

Soho House Limited has completed a busy year with the total group sales increasing by 13.4% to £36.9 million (£32.5 million in 2005). The locations which have been open for more than twenty four months increased sales by 5.1% to £34.2 million (previous year £32.5 million). Both Babington and Soho House New York had maintained good occupancy figures for the year of 93.0% and 86.7% respectively.

The table below summarises the sales from each of the locations

	Sales		
	2006	2005	Growth
	£'000	£'000	%
Babington House	5,237	4,967	5.4%
Soho House	5,501	5,169	6.4%
Electric	6,287	6,199	1.4%
Soho House New York	10,138	9,427	7.5%
Café Bohème	2,659	2,686	(1.0%)
BKB	1,889	1,853	1.9%
Balham Kitchen Bar	1,730	1,764	(1.9%)
Cecconi's (opened January 05)	2,565	513	-
Cowshed	711	442	60.9%
Cowshed Clarendon Cross (opened November 05)	174	-	-

There has been good revenue growth at most of our sites but, inevitably, our results would have been much better without the terrorist events and their impact on restaurant trading in the capital. In recent months, revenues at existing sites have continued to grow and the early success of our new site in Chiswick confirms the very favourable general trend.

When reviewing our accounts, a further consideration is the fact that we have invested well over £1 million in development projects over the past year, both in pre-opening development expenses and related financing costs, and in building a central management team capable of exploiting the opportunities that lie ahead. While this has adversely affected the short term trading profitability of the group, we are convinced that the recently re-opened Cecconi's in Mayfair, Cowshed Spa in Holland Park, and High Road House in Chiswick, along with new projects in Miami, Shoreditch and beyond, will generate valuable income streams for the future.

As reported in prior years, there are several material non-cash related items that also have to be charged against the final profit & loss, which arise from our compliance with required financial reporting standards. These relate to the amortisation of goodwill following the group merger in the UK and acquisition of the minority interest in the US, depreciation of the property leases acquired with Soho House UK Ltd and finally, the deferred tax provision.

Taking all these items into account, the consolidated profit and loss per the accounts is built up as follows:-

	2006	2005
<b>Trading profit</b>	<b>£1,206,064</b>	<b>£2,253,108</b>
1 Goodwill amortisation	(£338,138)	(£162,205)
2 Depreciation of Property revaluation	(£256,091)	(£256,091)
<b>Profit before interest and tax</b>	<b>£611,835</b>	<b>£1,834,812</b>
3 Net interest payable (excluding Minority Interest)	(£1,019,206)	(£595,023)
<b>(Loss) / profit before tax</b>	<b>(£407,371)</b>	<b>£1,239,789</b>
4 Tax provision	(£196,718)	(£233,507)
<b>(Loss) / profit after tax</b>	<b>(£604,089)</b>	<b>£1,006,282</b>
5 Minority interest	(£8,813)	£77,759
<b>Consolidated profit/(loss) per the accounts</b>	<b>(£612,902)</b>	<b>£1,084,041</b>
(Note items 1, 2, 4 and 5 above are non-cash items.)		

**MANAGING DIRECTOR'S REPORT (continued)**

Since the year end, as mentioned above, we have completed the development of High Road House in Chiswick and the first weeks of trading are well ahead of expectations. We have also acquired a lease for the upper floors of the Biscuit building in Shoreditch for a new club, which is being re-developed ready to be open in the summer of 2007. Additional funding to meet this latter investment has been secured for through a combination of increased long term banking facilities and shareholder loans.

In summary, organic growth has been achieved across our existing sites despite a challenging trading environment, and we are looking forward to seeing our recently-opened sites and new development properties generate profitable returns over the coming months and years.

Nick Jones

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements of the group and company for the year ended 31 March 2006.

**REVIEW OF THE BUSINESS**

The principal activities of the group are the operation of a country house hotel, cinema, private members' clubs and restaurants, the sale of beauty products and the provision of beauty treatments.

A review of future developments is provided in the Managing Director's report.

**RESULTS AND DIVIDENDS**

The group's results for the period are summarised on page 9. The directors do not recommend the payment of a dividend.

**FINANCIAL RISKS****Liquidity risk**

The group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of its business.

**Interest rate risk**

The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

**Foreign currency risk**

The group's only foreign currency exposures arise upon the consolidation of its overseas activities into the group accounts.

**Credit risks**

Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

**Supplier payment policy**

The group's policy in relation to the payment of suppliers is to pay them within the credit terms specified, provided that the supplier is also complying with all relevant terms and conditions.

The group's creditor days, as calculated by dividing the total amount of trade creditors by the total value of supplies and multiplying the sum by the number of days in the period, is 40 days (2005: 29 days).

**DIRECTORS' REPORT (continued)****DIRECTORS**

The interests of the directors holding office on 31 March 2006 in the share capital of the company were as follows:

	Number of ordinary shares of 10p each	
	31 March 2006	31 March 2005
	Ordinary	Ordinary
R H F Devereux	482,671	703,551
N K A Jones	1,988,620	2,651,288
J G Brackenbury	69,412	50,000
H Farsi*	1,250,967	1,250,967
E N Fellner	90,588	20,000
R C Hutson	30,588	6,000
S W Bond	1,033,378	2,068,654
P Chittick	30,588	-
C Sade	-	2,500
K H H Jones	-	-
J K Ohlson	-	-
A D Hill	-	-
N Champ	-	-
S Skinner	-	-
B A Page	-	-

Except for H Farsi, all of the above interests of directors are beneficial.

- \* Shares are held in the name of Curzon Restaurant Holdings Limited, a company controlled by a trust of which H Farsi is a discretionary beneficiary.

**DIRECTORS' REPORT (continued)****SHARE OPTIONS**

The interests of the officers in share options in the company are set out below:

Name of option holder	Type of agreement	Option price (per option share)	No. of Shares	Date option vested	Officer
J G Brackenbury	Option	£0.10	25,000	18 April 2005	Director
A D Hill	Option	£1.50	80,000	32,000 on 18 April 2005 16,000 on 1 January 2006 16,000 on 1 January 2007 16,000 on 1 January 2008	Director & employee
J K Ohlson	Option	£0.10	35,000	18 April 2005	Director
R C Hutson	Option	£4.25	78,000	18 April 2005	Director & employee
R C Hutson	Super-equity Option	£4.25	26,000	Date of approval of 2008 accounts, subject to profits	Director & employee
P H Chittick	Option	£4.25	75,000	12,500 on 5 September 2005 12,500 on 5 September 2006 12,500 on 5 September 2007 12,500 on 5 September 2008 12,500 on 5 September 2009 12,500 on 5 September 2010	Director & employee
P H Chittick	Super-equity option	£4.25	25,000	Date of approval of 2008 accounts, subject to profits	Director & employee
E N Fellner	Option	£0.10	25,000	18 April 2005	Director

All options were granted during the year and have exercise dates up to 18 April 2015. No options were exercised by the directors during the year and no options expired unexercised during the year. A summary of all the options are disclosed in note 25.

**DISABLED PERSONS**

The group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

**EMPLOYEE INVOLVEMENT**

Employee involvement and consultation is accomplished in a number of ways, including regular briefing meetings and presentations on various aspects of the group's business. Employee bonus schemes are linked to departmental performances enabling a common awareness of the financial and economical factors affecting the group.

**CHARITABLE DONATIONS**

During the year donations totalling £9,225 (2005: £5,200) were made to charitable organisations.



**DIRECTORS' REPORT (continued)****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS**

Mazars LLP have expressed their willingness to remain in office as auditors to the company. A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board



Director

29<sup>th</sup> September 2006

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

## SOHO HOUSE LIMITED

We have audited the financial statements of Soho House Limited for the year ended 31 March 2006 which comprise the Consolidated Profit and Loss account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

### Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it. We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Managing Director's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's and the group's affairs as at 31 March 2006 and of the group's result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's report is consistent with the financial statements.

MAZARS LLP  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
24 Bevis Marks  
LONDON EC3A 7NR

*Mazars LLP*

*20 September 2006*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2006**

	Note	2006 £	2005 £
TURNOVER	2	36,886,865	32,525,585
Cost of sales		<u>(8,499,702)</u>	<u>(7,383,345)</u>
GROSS PROFIT		28,387,163	25,142,240
Administrative expenses		<u>(27,775,328)</u>	<u>(23,307,428)</u>
OPERATING PROFIT	2	611,835	1,834,812
Interest payable and similar charges	4	(1,032,097)	(595,023)
Interest receivable		<u>12,891</u>	<u>-</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(407,371)	1,239,789
Tax on (loss) / profit on ordinary activities	5	<u>(196,718)</u>	<u>(233,507)</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(604,089)	1,006,282
MINORITY INTEREST		<u>(8,813)</u>	<u>77,759</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES ATTRIBUTABLE TO THE MEMBERS OF SOHO HOUSE LIMITED		<u>£(612,902)</u>	<u>£1,084,041</u>

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 March 2006**

	2006 £	2005 £
(Loss) / profit for the financial year	(612,902)	1,084,041
Gain / (loss) on foreign exchange translations	<u>1,007,882</u>	<u>(10,774)</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE THE LAST ANNUAL REPORT	<u>£394,980</u>	<u>£1,073,267</u>

The group's turnover and expenses all relate to continuing operations.

The notes on pages 13 to 26 form an integral part of these accounts.

## CONSOLIDATED BALANCE SHEET as at 31 March 2006

	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Goodwill	6	6,520,099	2,635,839
Tangible assets	7	35,909,909	25,648,633
		<u>42,430,008</u>	<u>28,284,472</u>
<b>CURRENT ASSETS</b>			
Stock	9	1,206,388	914,521
Debtors	10	1,965,081	2,068,764
Cash at bank and in hand		1,590,669	149,031
		<u>4,762,138</u>	<u>3,132,316</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(9,227,179)	(8,833,202)
NET CURRENT LIABILITIES		(4,465,041)	(5,700,886)
TOTAL ASSETS LESS CURRENT LIABILITIES		37,964,967	22,583,587
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(16,159,187)	(6,684,172)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(1,103,740)	(840,643)
		<u>20,702,040</u>	<u>14,710,643</u>
MINORITY INTEREST		(42,717)	(1,986,345)
		<u>£20,659,323</u>	<u>£13,072,426</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	973,688	783,213
Share premium account	17	19,601,586	12,600,144
Profit and loss account	17	84,049	(1,964,535)
Capital reserve	17	-	1,653,604
EQUITY SHAREHOLDERS' FUNDS	18	<u>£20,659,323</u>	<u>£13,072,426</u>

Approved by the board on 29<sup>th</sup> September 2006 and signed on its behalf by:

*N.A. Jones*

Director

The notes on pages 13 to 26 form an integral part of these accounts.

## COMPANY BALANCE SHEET as at 31 March 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	7	14,587,940	8,276,038
Investment in group undertakings	8	12,484,404	12,484,404
		<u>27,072,344</u>	<u>20,760,442</u>
CURRENT ASSETS			
Stock	9	185,159	167,490
Debtors	10	12,280,834	1,313,634
Cash at bank and in hand		1,181,901	2,353
		<u>13,647,894</u>	<u>1,483,477</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(3,092,432)	(1,758,847)
NET CURRENT ASSETS/(LIABILITIES)		<u>10,555,462</u>	<u>(275,370)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		37,627,806	20,485,072
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(14,278,788)	(4,825,804)
PROVISION FOR LIABILITIES AND CHARGES	15	(729,343)	(641,720)
		<u>£22,619,675</u>	<u>£15,017,548</u>
CAPITAL AND RESERVES			
Called up share capital	16	973,688	783,213
Share premium account	17	19,601,586	12,600,144
Profit and loss account	17	2,044,401	1,634,191
SHAREHOLDERS' FUNDS	18	<u>£22,619,675</u>	<u>£15,017,548</u>

Approved by the board on 29<sup>th</sup> September 2006 and signed on its behalf by:



Director

The notes on pages 13 to 26 form an integral part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT****For the year ended 31 March 2006**

	<b>Note</b>	<b>2006 £</b>	<b>2005 £</b>
<b>Cash inflow from operating activities</b>	19(a)	4,115,783	1,266,975
<b>Returns on investments and servicing of finance</b>			
Interest paid		(1,032,097)	(595,023)
Interest received		12,891	-
		<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>		3,096,577	671,952
		<hr/>	<hr/>
<b>Taxation</b>		(164,068)	-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(11,548,308)	(1,008,855)
Sale of tangible fixed assets		256,999	-
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>		(8,358,800)	(336,903)
		<hr/>	<hr/>
<b>Acquisitions</b>			
Purchase of minority		(6,108,459)	-
<b>Capital</b>			
Issue of Shares		7,191,917	-
		<hr/>	<hr/>
<b>Cash outflow before financing</b>		(7,275,340)	(336,903)
		<hr/>	<hr/>
<b>Financing</b>			
Secured loans		8,703,422	(440,636)
Finance lease		13,558	(16,790)
		<hr/>	<hr/>
<b>Net cash inflow from financing</b>		8,716,980	423,846
		<hr/>	<hr/>
<b>Increase in cash in the year (excluding overdrafts)</b>	19(b)	<u>£1,441,638</u>	<u>£86,943</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006**

**1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards.

**(a) Accounting convention**

The financial statements are prepared under the historical cost convention.

**(b) Going concern**

The financial statements have been prepared on a going concern basis.

**(c) Turnover**

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

**(d) Basis of preparation of group financial statements**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 March 2006.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition. When the company's shares are issued in respect of an acquisition, the share premium is computed on the basis of the market value of the shares at the date of acquisition. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is amortised through the profit and loss account in equal instalments over its estimated useful life.

**(e) Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the separable net assets acquired with Soho House UK Limited and Soho House LLC. Goodwill is amortised through the profit and loss account in equal instalments over its useful economic life of 20 years.

**(f) Operating leases**

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

**(g) Foreign currencies**

Financial statements of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**1 ACCOUNTING POLICIES (continued)**

**(h) Tangible fixed assets**

Depreciation is charged on tangible fixed assets at rates calculated to write off their costs, less estimated residual values, over their estimated useful lives.

Soho House Limited uses the following rates:

Leasehold improvements	-	over period of lease on straight line basis
Furniture and equipment	-	10% reducing balance
Office equipment	-	33% reducing balance
Motor vehicles	-	33% reducing balance
Freehold land and buildings	-	Nil

Soho House UK Limited and Cowshed Products Limited use the following rates:

Leasehold property	-	over period of lease on straight line basis
Leasehold improvements	-	10 years
Office equipment	-	4 years
Motor vehicles	-	4 years
Furniture and equipment	-	3 years

Soho House LLC uses the following rates:

Leasehold improvements	-	over the period of the lease on straight line basis
Office equipment	-	3 years
Furniture and equipment	-	10 years

No other group company held tangible fixed assets.

As is common practice in the hotel industry, depreciation has not been provided on freehold buildings and most surrounding improvements. It is the company's policy to maintain these assets in good condition through regular repair and maintenance. Accordingly, the directors consider that the residual value of the freehold buildings will be maintained and any depreciation would not be material. Impairment reviews are performed annually and any impairment loss provided, where applicable.

**(i) Stock**

Stock is valued at the lower of cost and estimated net realisable value. Cost is calculated on a first in, first out basis. Net realisable value is based on estimated sales proceeds, after allowing for further costs of disposal.

**(j) Deferred taxation**

Deferred tax is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timing differences reverse.

**(k) Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**1 ACCOUNTING POLICIES (continued)**

**(l) Pension costs**

Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

**(m) Parent company's profit and loss account**

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of the financial statements.

**2 TURNOVER AND OPERATING PROFIT**

- (a) The amounts shown for both turnover and result before tax, minority interest and net assets are wholly attributable to the group's principal activities. The split by geographical segment is:

	2006 UK £	2006 US £	2006 Total £
Turnover	26,749,261	10,137,604	36,886,865
Loss before tax	(262,198)	(145,173)	(407,371)
Minority interest	-	(8,813)	(8,813)
	<u>26,487,063</u>	<u>10,004,421</u>	<u>36,491,484</u>
Net Assets	19,092,060	1,609,980	20,702,040
Minority interest	-	(42,717)	(42,717)
	<u>£19,092,060</u>	<u>£1,567,263</u>	<u>£20,659,323</u>
	2005 UK £	2005 US £	2005 Total £
Turnover	23,770,982	8,754,603	32,525,585
Profit before tax	1,053,869	185,920	1,239,789
Minority interest	-	77,759	77,759
	<u>24,824,851</u>	<u>8,918,282</u>	<u>33,743,133</u>
Net Assets	14,234,051	824,720	15,058,771
Minority interest	-	(1,986,345)	(1,986,345)
	<u>14,234,051</u>	<u>(1,161,625)</u>	<u>13,072,426</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**2 TURNOVER AND OPERATING PROFIT (continued)**

(b) Operating profit is arrived at after charging:

	2006 £	2005 £
Auditors' remuneration – audit fee	72,844	50,000
Auditors' remuneration – fees for non-audit services	46,824	3,500
Directors' remuneration – emoluments	645,627	521,875
Directors' remuneration – contributions to defined benefit pension schemes	29,500	33,373
Amortisation charge	338,138	162,205
Depreciation of tangible assets	1,681,972	1,589,888
Depreciation of tangible assets held under finance leases	35,198	43,477
Amount paid under operating leases	2,327,423	2,575,671
	<u>          </u>	<u>          </u>

**3 STAFF COSTS**

	2006 £	2005 £
Wages and salaries	11,828,721	10,238,729
Social security costs	1,096,922	978,009
Other pension costs	29,500	34,613
	<u>          </u>	<u>          </u>
	£12,955,143	£11,251,351
	<u>          </u>	<u>          </u>

Number of people employed by the company during the period, including directors:

	2006 Number	2005 Number
Operational	604	625
Management and administration	26	30
	<u>          </u>	<u>          </u>
	630	655
	<u>          </u>	<u>          </u>

Soho House Limited has an agreement with Roundhurst Consulting Limited with regard to the provision of consultancy services to the company. R H F Devereux, a director of Soho House Limited, is also a director of Roundhurst Consulting Limited. A sum of nil (2005: £18,000) is included in the accounts for these services as a part of normal operating costs.

Directors' remuneration in note 2 includes emoluments of £283,896 (2005: £270,625) and pension contributions of £5,000 (2005: £9,873) in respect of the highest paid director.

**4 INTEREST PAYABLE**

	2006 £	2005 £
Bank overdrafts and loan	1,030,632	593,988
Finance leases	1,465	1,035
	<u>          </u>	<u>          </u>
	£1,032,097	£595,023
	<u>          </u>	<u>          </u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006 (continued)

## 5 TAXATION

	2006 £	2005 £
(a) Analysis of charge in the year:		
Current tax:	(66,379)	164,068
Deferred tax:	263,097	69,439
Origination and reversal of timing differences	<u>£196,718</u>	<u>£233,507</u>

## (b) Factors affecting tax charge for the year:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2006 £	2005 £
(Loss) / profit on ordinary activities	<u>(407,371)</u>	<u>1,239,789</u>
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	(122,211)	371,937
Effects of:		
Expenses not deductible for tax purposes	203,473	171,560
Capital allowances for period in excess of depreciation	(185,619)	(101,619)
Rate differences	(5,574)	(14,698)
Utilisation of tax losses	43,552	(263,112)
Current tax charge for period (see (a) above)	<u>£(66,379)</u>	<u>£164,068</u>

## (c) Factors that may affect future tax charges

Based on current capital investment plans, the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

The Company has no (2005: £nil) tax losses at 31 March 2006 to offset against future profits.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**6 GOODWILL**

**GROUP**

£

**COST**

At 1 April 2005

3,244,109

Additions

4,222,398

At 31 March 2006

£7,466,507

**DEPRECIATION**

At 1 April 2005

608,270

Charge for the year

338,138

At 31 March 2006

946,408

**NET BOOK VALUE**

At 31 March 2006

£6,520,099

At 1 April 2005

£2,635,839

**7 TANGIBLE FIXED ASSETS**

**GROUP**

	Freehold land and buildings £	Leasehold properties £	Leasehold improvements £	Office equipment £	Furniture and equipment £	Motor vehicles £	Total £
<b>COST</b>							
At 1 April 2005	6,769,519	4,737,670	10,336,290	405,432	8,216,896	82,068	30,547,875
Additions	7,469,694	-	528,695	304,952	3,220,270	24,697	11,548,308
Disposal	(224,000)	-	-	-	-	(21,940)	(245,940)
Exchange	-	-	398,619	13,183	322,975	-	734,777
At 31 March 2006	<u>14,015,213</u>	<u>4,737,670</u>	<u>11,263,604</u>	<u>723,567</u>	<u>11,760,141</u>	<u>84,825</u>	<u>42,585,020</u>
<b>DEPRECIATION</b>							
At 1 April 2005	178,521	960,341	1,033,722	284,126	2,373,464	69,068	4,899,242
Charge for the year	197,473	256,091	259,037	90,433	905,791	8,345	1,717,170
Disposal	-	-	-	-	-	(14,427)	(14,427)
Exchange	-	-	23,899	8,004	41,223	-	73,126
At 31 March 2006	<u>375,994</u>	<u>1,216,432</u>	<u>1,316,658</u>	<u>382,563</u>	<u>3,320,478</u>	<u>62,986</u>	<u>6,675,111</u>
<b>NET BOOK VALUE</b>							
At 31 March 2006	<u>£13,639,219</u>	<u>£3,521,238</u>	<u>£9,946,946</u>	<u>£341,004</u>	<u>£8,439,663</u>	<u>£21,839</u>	<u>£35,909,909</u>
At 1 April 2005	<u>£6,590,998*</u>	<u>£3,777,329</u>	<u>£9,302,568</u>	<u>£121,306</u>	<u>£5,843,432</u>	<u>£13,000</u>	<u>£25,648,633</u>

\* Included within prior year freehold land and buildings was a property held as an investment by the group for £224,000 which was sold in May 2006 (note 23).

Of the net book value £35,909,909 (2005: £25,648,633), £272,534 (2005: £290,747) relates to leased assets.

There is an unlimited inter company composite guarantee secured on the above assets to cover the total group borrowings.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**7 TANGIBLE FIXED ASSETS (continued)**

The freehold and leasehold properties owned by the group are used as security for the bank loan.

COMPANY	Freehold land and buildings £	Office equipment £	Furniture and equipment £	Motor vehicles £	Total £
<b>COST</b>					
At 1 April 2005	6,545,518	95,966	2,755,918	32,028	9,429,430
Additions	6,260,699	1,584	344,988	-	6,607,271
At 31 March 2006	12,806,217	97,550	3,100,906	32,028	16,036,701
<b>DEPRECIATION</b>					
At 1 April 2005	178,521	76,140	869,798	28,933	1,153,392
Charge for the year	87,036	6,837	200,464	1,032	295,369
At 31 March 2006	265,557	82,977	1,070,262	29,965	1,448,761
<b>NET BOOK VALUE</b>					
At 31 March 2006	£12,540,660	£14,573	£2,030,644	£2,063	£14,587,940
At 1 April 2005	£3,366,997	£19,826	£1,886,120	£3,095	£8,276,038

Of the net book value £14,587,940 (2005: £8,276,038), an amount of £252,758 (2005: £280,842) relates to leased assets. There is an unlimited inter company composite guarantee secured on the above assets to cover the total group borrowings.

**8 INVESTMENTS IN GROUP UNDERTAKINGS**

	2006 £	2005 £
<b>COST</b>		
At 1 April & 31 March	£12,484,404	£12,484,404

Additional information on principal subsidiary undertakings:

Name	Country of incorporation /registration	Class of shares held	Percentage of shares held		Nature of business
			Group	Parent	
Soho House UK Limited	England	Ordinary	100%	100%	Leisure
*Cowshed Products Limited	England	Ordinary	100%	-	Cosmetics
*NBJ Leisure Limited	England	Ordinary	100%	100%	Non Trading
Soho House US Corp	USA	Ordinary	100%	100%	Holding
*Soho House LLC	USA	Ordinary	98.5%	98.5%	Holding
*Soho House New York LLC	USA	Ordinary	98.5%	100%	Leisure
*Soho House Beach House LLC	USA	Ordinary	98.5%	100%	Leisure
*Soho House New York Inc	USA	Ordinary	98.5%	100%	Non Trading

\* Shares held by subsidiary company

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006 (continued)

## 9 STOCK

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Raw materials and consumables held for resale	£1,206,388	£914,521	£185,159	£167,490

## 10 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts due within one year:				
Trade debtors	1,455,240	1,232,789	192,997	138,548
Amounts due from group undertakings	-	-	12,018,907	1,120,186
Other debtors	10,237	15,910	10,237	5,595
Prepayments and accrued income	499,604	820,065	58,693	49,305
	£1,965,081	£2,068,764	£12,280,834	£1,313,634

## 11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	1,963,838	3,141,954	1,922,000	704,386
Obligations under finance leases and hire purchase contracts	6,113	2,743	-	-
Trade creditors	2,895,555	1,814,915	322,465	199,238
Amounts owed to group undertakings	-	-	-	41,319
Other taxation and social security	1,379,574	1,642,020	249,118	249,694
Other creditors	1,000	-	-	-
Accruals and deferred income	2,981,099	2,231,570	598,849	564,210
	£9,227,179	£8,833,202	£3,092,432	£1,758,847

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	16,148,999	6,267,461	14,278,788	4,825,804
Obligations under finance leases and hire purchase contracts	10,188	-	-	-
Other creditors	-	416,711	-	-
	<u>£16,159,187</u>	<u>£6,684,172</u>	<u>£14,278,788</u>	<u>£4,825,804</u>

**13 OBLIGATIONS UNDER FINANCE LEASE**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts payable:				
Within one year	6,113	2,743	-	-
Between two and five years	10,188	-	-	-
	<u>£16,301</u>	<u>£2,743</u>	<u>-</u>	<u>-</u>

**14 BANK LOANS AND OVERDRAFTS**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts payable:				
Within one year	1,963,838	3,141,954	1,922,000	704,386
Between two and five years	4,442,062	4,677,750	4,442,062	2,717,460
In five years or more	11,706,937	1,589,711	9,836,726	2,108,344
	<u>£18,112,837</u>	<u>£9,409,415</u>	<u>£16,200,788</u>	<u>£5,530,190</u>

The bank loans bear an interest rate which fluctuates in line with the inter bank rate. At the year end the rate was 7%. The bank loans and overdrafts are secured by a fixed and floating charge over the properties and the assets of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**15 PROVISION FOR DEFERRED TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated capital allowances	1,103,740	840,643	729,343	641,720
Deferred tax provision	<u>£1,103,740</u>	<u>£840,643</u>	<u>£729,343</u>	<u>£641,720</u>
Liability at the start of the period	840,643	771,204	641,720	493,395
Deferred tax charge in the profit and loss account for period	<u>263,097</u>	<u>69,439</u>	<u>87,623</u>	<u>148,325</u>
Provision as at 31 March	<u>£1,103,740</u>	<u>£840,643</u>	<u>£729,343</u>	<u>£641,720</u>

**16 SHARE CAPITAL**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of 10p each	<u>£2,000,000</u>	<u>£2,000,000</u>	<u>£973,688</u>	<u>£783,213</u>
	<b>Allotted</b>		<b>Allotted</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>Number</b>	<b>Number</b>
Ordinary shares of 10p each:				
As at 1 April	783,213	783,213	7,832,130	7,832,130
Number of shares allotted	<u>190,475</u>	<u>-</u>	<u>1,904,750</u>	<u>-</u>
Aggregate nominal shares as at 31 March	<u>£973,688</u>	<u>£783,213</u>	<u>9,736,880</u>	<u>7,832,130</u>

**17 RESERVES**

<b>Group</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Capital reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 April 2005	12,600,144	(1,964,535)	1,653,604	12,289,213
Retained loss for the year	-	(612,902)	-	(612,902)
Current year transfer from capital reserve	-	1,653,604	(1,653,604)	-
Net premium arising on the issue of 1,904,750 of Ordinary shares of 10p each	7,001,442	-	-	7,001,442
Exchange gain	<u>-</u>	<u>1,007,882</u>	<u>-</u>	<u>1,007,882</u>
At 31 March 2006	<u>£19,601,586</u>	<u>£84,049</u>	<u>-</u>	<u>£19,685,635</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2006 (continued)**

**17 RESERVES (continued)**

Company	Share premium £	Profit and loss account £	Total £
At 1 April 2005	12,600,144	1,634,191	14,234,335
Retained profit for the year	-	410,210	410,210
Premium arising in the issue of 1,904,750 of Ordinary shares of 10p each	7,001,442	-	7,001,442
	<hr/>	<hr/>	<hr/>
At 31 March 2006	<u>£19,601,586</u>	<u>£2,044,401</u>	<u>£21,645,987</u>

Of the Company reserve, £2,044,401 is available for distribution.

**18 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	Group 2006 £	Company 2006 £
(Loss) / profit for the year	(612,902)	410,210
New Share capital subscribed	7,191,917	7,191,917
Other recognised net gains and losses	1,007,882	-
	<hr/>	<hr/>
Net addition to shareholders' funds	7,586,897	7,602,127
Opening shareholders' funds	13,072,426	15,017,548
	<hr/>	<hr/>
Closing shareholders' funds	<u>£20,659,323</u>	<u>£22,619,675</u>

**19 CASH FLOW STATEMENT**

**(a) Reconciliation of operating profit to operating cash flows**

	2006 £	2005 £
Operating profit	611,835	1,834,812
Depreciation charges	1,717,170	1,589,888
Amortisation charges	338,138	162,205
(Increase) in stocks	(291,867)	(91,910)
(Profit) on disposal of fixed assets	(25,487)	-
Decrease/ (increase) in debtors	103,683	(129,417)
Increase / (decrease) in creditors	1,316,080	(2,098,603)
Foreign exchange	346,231	-
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>£4,115,783</u>	<u>£1,266,975</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006 (continued)

## 19 CASH FLOW STATEMENT (continued)

## (b) Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Movement in cash in the period	1,441,638	86,943
Cash inflow from increase in debt and lease financing	(8,716,980)	1,937,799
	<u>(7,275,342)</u>	<u>2,024,742</u>
Movement in net debt in the period	(7,275,342)	2,024,742
Net debt at 1 April 2005	(9,263,127)	(11,400,715)
Net debt at 31 March 2006	<u>£(16,538,469)</u>	<u>£(9,375,973)</u>

## (c) Analysis of net debt

	At 1 April 2005 £	Cash Flow £	At 31 March 2006 £
Cash in hand and at bank	149,031	1,441,638	1,590,669
Bank borrowings	(3,141,954)	1,178,116	(1,963,838)
Debt due after 1 year	(6,267,461)	(9,881,538)	(16,148,999)
Finance leases	(2,743)	(13,588)	(16,301)
Total	<u>£(9,263,127)</u>	<u>£(7,275,342)</u>	<u>£(16,538,469)</u>

## 20 CAPITAL COMMITMENTS

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Capital expenditure contracted for but not provided for in the financial statements	<u>£475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006 (continued)

## 21 OTHER FINANCIAL COMMITMENTS

At 31 March 2006 the Group was committed to making the following payments under non-cancellable leases (relating mainly to property):

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Operating leases which expire within				
1 year:	87,068	3,882	5,106	-
In two to five years	5,012	159,449	1,408	31,373
In over five years	3,179,736	2,725,413	-	854,923
	<u>£3,271,816</u>	<u>£2,888,744</u>	<u>£6,514</u>	<u>£886,296</u>

## 22 PENSION COMMITMENTS

The group set up a defined contribution pension scheme during 2005 which is open to all employees. At 31 March 2006 no employees had opted to join the scheme.

The group also operates a defined contribution personal pension plan for senior management. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £29,500 (2005: £34,613). At 31 March 2006 there were no contributions outstanding.

## 23 RELATED PARTY TRANSACTIONS

On 31 May 2002 Mr S W Bond, a director of the company, made an interest receiving loan of US\$500,000 to Soho House New York LLC, which was repaid during the year.

In June 2003 Mr G Bond, brother of Mr S W Bond, made an interest receiving loan of US\$750,000 to Soho House New York LLC, which was repaid during the year.

In July 2003 Mr R H F Devereux, a director of the company, made an interest receiving loan of US\$813,500 to Soho House New York LLC, which was repaid during the year.

In July 2003 Mrs P Brackenbury, wife of Mr J G Brackenbury, a director of the company, made an interest receiving loan of US\$165,110 to Soho House New York LLC, which was repaid during the year.

In July 2003 Mr E N Fellner, a director of the company, made an interest receiving loan of US\$250,000 to Soho House New York LLC, which was repaid during the year.

During year end, the group held a £224,000 investment (2005: £224,000) in a property owned and occupied by Mr N K A Jones. This property was sold to Mr N K A Jones in May 2006.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2006 (continued)****23 RELATED PARTY TRANSACTIONS (continued)**

The company has taken advantage of the exemption conferred by the financial reporting standard 8 'Related Party Disclosures' not to disclose the transactions with group companies where the group controls at least 90% of the voting rights in those companies.

**24 POST BALANCE SHEET EVENTS**

Since the year end, the Boundary Street Building has been sold for £90,000. The loss on disposal will be recognised in next years' accounts.

A 25 year lease for the Biscuit Building, London was signed post year end. Mr N K A Jones provided a short term loan towards the cost of the rent deposit totalling £218,000 which was repaid on 22 September 2006. Shareholder loans and a new banking facility were secured to fund development of the property.

In the financial year, Soho House Beach House LLC, a US subsidiary, signed an agreement to lease club space and operate a condo hotel in Miami. It also entered into agreements with respect to the sale and acquisition of condo units. Since the year end, negotiations have been undertaken to amend the terms of the lease and the related agreements.

**25 SHARE OPTIONS**

The following options were outstanding as at 31 March 2006:

Type of agreement	Option price range (per option share)	No. of Shares	Date option vested
Option	£0.10 to £4.25	395,646	18 October 2005 to 5 September 2010
Super-equity option*	£4.25	51,000	18 April 2005 to date of approval of 2008 accounts, subject to profits

\* The Super-equity options shall vest over the or in respect of all the Option Shares upon approval by the board of directors of the Company of the Company's consolidated accounts for the financial year ending 31 March 2008, if the EPS for the financial year ending 31 March 2008 exceeds the EPS for the financial year ending 31 March 2005 by 72.8%.

All options were granted during the year with an exercise date up to 18 April 2015. No options expired unexercised during the year. The options granted to the directors have been disclosed in the Directors' report.