

6395943

**REGISTRAR OF  
COMPANIES**

**SHG Acquisition (UK) Limited**

Report and Financial Statements

Period Ended

30 March 2008



**IBDO**

**BDO Stoy Hayward**  
Chartered Accountants

# **SHG Acquisition (UK) Limited**

**Annual report and financial statements  
for the period ended 30 March 2008**

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## **Directors**

R A Caring  
L Copperthwaite  
J W S Lawrence  
N K A Jones

## **Secretary and registered office**

JWS Lawrence, 90 High Holborn, London, WC1V 6XX.

## **Company number**

6395943

## **Auditors**

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

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# SHG Acquisition (UK) Limited

## Report of the directors for the period ended 30 March 2008

The directors present their report together with the audited financial statements for the period ended 30 March 2008.

### Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the period.

The directors do not recommend the payment of a final dividend.

The company was incorporated on 10 October 2007 as Newinco 768 Limited and changed its name on 30 October 2007 to SHG Acquisition (UK) Limited. The financial statements cover the period from incorporation to 30 March 2008.

### Principle activities

During the period the principal business of the group was the operation of private members clubs, restaurants, hotel rooms and a cinema, in the UK and the USA. The principal activity of the company was an investment holding company.

### Review of the business

On 16 January 2008 Soho House Limited was acquired by the company and as a result of applying acquisition accounting rules, only the period of trading from the acquisition date to the company's financial year end, is disclosed within these accounts.

The statutory accounts of Soho House Limited, the acquired company, along with its' subsidiaries, Soho House UK Limited and Cowshed Products Limited, provide a full year's trading results of the entire UK operations and will provide a more meaningful picture of the business performance of the UK activity of the group.

The group's consolidated loss after taxation was £3.5 million, this represents the last two and a half months of trading of the group. This loss is not representative of the group's annual trading due to the seasonal nature of the group's business, as the last quarter is the weakest quarter within the annual cycle. The loss is also further increased by the amortisation of goodwill and the increased interest payments on the new loan facility.

### Future developments

The company intends to expand the number of private members clubs, restaurants and hotel rooms in the US and Europe.

### Financial and non financial key performance indicators

In line with our operating objectives, we use both financial and non-financial KPIs. Where relevant, KPIs are used as our primary measures of whether we are achieving our objectives, however, the scale and size of our operations means we use many other detailed performance measures in addition to KPIs. We also use KPIs to measure performance against our primary objective of growing our businesses to create value for our shareholders. We use qualitative assessments to judge progress against our objectives in areas where numerical measures are less relevant.

The KPIs used to measure performance include gross profit margin and operating profit margin. We benchmark these measures against the appropriate industry competitors and make the necessary controls to ensure that we achieve our target ratios.

**2008**

Gross profit margin	76%
Operating profit margin	-17%

Gross profit margin was within expectations for the period whereas operating margin was negative due to amortisation of goodwill as a result of the acquisition.

# **SHG Acquisition (UK) Limited**

## **Report of the directors for the period ended 30 March 2008 (Continued)**

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### **Principal risks and uncertainties**

In addition to the opportunities we have to grow and develop our business, the group faces a range of risks and uncertainties as part of both its day to day operations and its corporate activities, these include the impact of a general economic downturn, regulatory changes, major incidents, labour and energy costs. We strive to mitigate the impact from such risks by implementing the appropriate corporate governance policies.

### **Financial risk management objectives and policies**

The group uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. The main risks arising from the group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### *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.

#### *Credit risk*

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

#### *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. It is the policy of the group that the training, career development and promotion of disabled persons, should, as far as possible, be identical with that of other employees.

#### *Employment 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 performance enabling a common awareness of the financial and economic factors affecting the group.

# SHG Acquisition (UK) Limited

## Report of the directors for the period ended 30 March 2008 (*Continued*)

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### Directors

The directors of the company during the period were:

Olswang Directors 1 Limited	(appointed on incorporation, resigned 30 October 2007)
Olswang Directors 2 Limited	(appointed on incorporation, resigned 30 October 2007)
R A Caring	(appointed 30 October 2007)
L Copperthwaite	(appointed 30 October 2007)
J W S Lawrence	(appointed 30 October 2007)
N K A Jones	(appointed 16 January 2008)

None of the directors have any interest in the share capital of any group company that is required to be disclosed in accordance with Companies Act 1985.

### Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# SHG Acquisition (UK) Limited

## Report of the directors for the period ended 30 March 2008 (*Continued*)

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### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of the information needed by the company's auditors for the purposes of their audit and to ensure that the auditors are aware of the information. The directors are not aware of any relevant information of which the auditors are unaware.

BDO Stoy Hayward LLP were appointed during the period and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

### On behalf of the Board

J W S Lawrence



### Director

4 November 2008

# SHG Acquisition (UK) Limited

## Report of the independent auditors

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### To the shareholders of SHG Acquisition (UK) Limited

We have audited the group and parent company financial statements (the "financial statements") of SHG Acquisition (UK) Limited for the period ended 30 March 2008 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 group's and company's circumstances, 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.

# SHG Acquisition (UK) Limited

## Report of the independent auditors (*Continued*)

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### *Opinion*

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 March 2008 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 March 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors  
London*

4 November 2008



# SHG Acquisition (UK) Limited

## Consolidated profit and loss account for the period ended 30 March 2008

	Note	£
<b>Turnover</b>	2	<b>12,767,081</b>
Cost of sales		<b>3,016,408</b>
<b>Gross profit</b>		<b>9,750,673</b>
Administrative expenses		<b>11,933,737</b>
<b>Operating loss</b>	5	<b>(2,183,064)</b>
Interest receivable		86,187
Interest payable	6	<b>(1,559,473)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(3,656,350)</b>
Tax credit on loss on ordinary activities	7	<b>156,941</b>
<b>Loss on ordinary activities after taxation</b>		<b>(3,499,409)</b>
Loss attributable to minority interests		<b>4,816</b>
<b>Loss for the financial period</b>	18	<b>(3,494,593)</b>

All amounts relate to continuing activities.

The notes on pages 12 to 26 form part of these financial statements.

## **SHG Acquisition (UK) Limited**

### **Consolidated statement of total recognised gains and losses for the period ended 30 March 2008**

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	£
Group loss for the financial period	<b>(3,494,593)</b>
Exchange translation differences on consolidation	<b>25,552</b>
	<hr/>
Total recognised gains and losses for the financial period	<b>(3,469,041)</b>
	<hr/>

There are no differences between historical cost profit and loss and the results above.

The notes on pages 12 to 26 form part of these financial statements.

# SHG Acquisition (UK) Limited

## Consolidated balance sheet at 30 March 2008

	Note	£	£
<b>Fixed assets</b>			
Intangible assets	9		62,174,754
Tangible assets	10		49,933,737
			<u>112,108,491</u>
<b>Current assets</b>			
Stocks	12	1,732,306	
Debtors	13	5,418,807	
Cash at bank and in hand		875,063	
		<u>8,062,176</u>	
<b>Creditors: amounts falling due within one year</b>	14	12,843,367	
		<u>(4,817,191)</u>	
<b>Net current liabilities</b>			<u>(4,817,191)</u>
<b>Total assets less current liabilities</b>			<u>107,291,300</u>
<b>Creditors: amounts falling due after more than one year</b>	15		(109,416,787)
<b>Provision for liabilities and charges</b>	16		(1,302,237)
			<u>(3,427,724)</u>
<b>Capital and reserves</b>			
Called up share capital	17		1
Profit and loss account	18		(3,469,041)
			<u>(3,469,040)</u>
<b>Shareholders' deficit</b>	19		(3,469,040)
Minority interest			41,316
			<u>(3,427,724)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 November 2008

  
J W S Lawrence  
Director

The notes on pages 12 to 26 form part of these financial statements.

# SHG Acquisition (UK) Limited

Company balance sheet  
at 30 March 2008

	Note	£	£
<b>Fixed assets</b>			
Investments	11		96,637,684
<b>Current assets</b>			
Debtors	13	10,853,684	
Cash at bank and in hand		47,837	
		<u>10,901,521</u>	
<b>Creditors: amounts falling due within one year</b>	14	1,477,076	
		<u>9,424,445</u>	
<b>Net current assets</b>			<u>106,062,129</u>
<b>Total assets less current liabilities</b>			<u>107,130,249</u>
<b>Creditors: amounts falling due after more than one year</b>	15		<u>(1,068,120)</u>
<b>Capital and reserves</b>			
Called up share capital	17		1
Profit and loss account	18		<u>(1,068,121)</u>
<b>Shareholders' deficit</b>	19		<u>(1,068,120)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 November 2008

  
J W S Lawrence  
Director

The notes on pages 12 to 26 form part of these financial statements.

# SHG Acquisition (UK) Limited

## Consolidated cash flow statement for the period ended 30 March 2008

	Note	£	£
<b>Net cash inflow from operating activities</b>	23		<b>1,008,147</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		86,187	
Interest paid		(1,559,473)	
			<b>(1,473,286)</b>
<b>Taxation</b>			
UK corporation tax			-
<b>Capital expenditure</b>			
Purchase of tangible fixed assets			<b>(3,686,522)</b>
<b>Acquisitions and disposals</b>			
Acquisition of subsidiary undertakings	20	(96,637,684)	
Cash acquired with subsidiary undertaking		7,253,408	
			<b>(89,384,276)</b>
<b>Cash outflow before use of liquid resources and financing</b>			
<b>Financing</b>			
Repayment of bank loans		(17,596,475)	
New bank loans taken out		79,416,787	
Other loans taken out	15	30,000,000	
Repayment of other loans		(4,276,908)	
Issue of shares in subsidiary company		6,010,652	
			<b>93,554,056</b>
<b>Increase in cash</b>	25		<b>18,119</b>

The notes on pages 12 to 26 form part of these financial statements.

# SHG Acquisition (UK) Limited

## Notes forming part of the financial statements for the period ended 30 March 2008

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Basis of consolidation*

The consolidated financial statements incorporate the results of SHG Acquisition (UK) Limited and all of its subsidiary undertakings as at 30 March 2008 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

#### *Turnover*

Turnover represents the amounts receivable, excluding value added tax, in respect of the sale of goods and services to customers. Turnover from the sale of goods and services is recognised at the point of sale. Membership income is paid in advance and is deferred and recognised on a monthly basis.

#### *Goodwill*

Goodwill arising on acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life, which is 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Impairment of fixed assets and goodwill*

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives.

The rates generally applicable are:

Leasehold property and improvements	-	over period of lease on straight line basis
Furniture and equipment	-	5 years straight line
Office equipment	-	2-4 years straight line
Motor vehicles	-	4 years straight line
Freehold land and buildings	-	nil

Depreciation has not been provided on freehold buildings. It is the group'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.

# SHG Acquisition (UK) Limited

## Notes forming part of the financial statements for the period ended 30 March 2008 (*Continued*)

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### 1 Accounting policies (*Continued*)

#### *Stock*

Stock is valued at the lower of cost and net realisable value.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### *Investments*

Fixed asset investments are stated at cost less provisions for diminution in value.

#### *Leased assets*

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

#### *Pension costs*

Employer's contributions to the group's defined contribution pension scheme are charged to the profit and loss account as they become payable.

#### *Finance costs*

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### *Foreign currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 1 Accounting policies (Continued)

### Capitalisation of finance costs

Finance costs which are directly attributable to the development of a specific venue are capitalised at the standard rate of interest borne by the company. Capitalisation commences when finance costs are incurred and expenditure on the venue begins. Capitalisation ceases when the development of a particular venue is substantially complete in accordance with FRS 15.

## 2 Turnover

The amounts shown for both turnover and loss before tax, minority interest and net assets are significantly attributable to the group's principal activities. The split by geographical segment is:

	2008 UK £	2008 US £	2008 Total £
Turnover	10,349,484	2,417,597	12,767,081
Loss before tax	(3,286,456)	(369,894)	(3,656,350)
Minority interest	-	4,816	4,816
	<hr/>	<hr/>	<hr/>
Net (liabilities)/assets	(3,802,172)	333,132	(3,469,040)
Minority interest	-	41,316	41,316
	<hr/>	<hr/>	<hr/>
	(3,802,172)	374,448	(3,427,724)
	<hr/>	<hr/>	<hr/>

## 3 Employees

£

Staff costs consist of:

Wages and salaries	4,893,367
Social security costs	572,511
Other pension costs	8,416
	<hr/>
	5,474,294
	<hr/>

The average monthly number of employees, including directors and part time employees, during the period was:

	Number
Administration	42
Operations	1,070
	<hr/>
	1,112
	<hr/>



## SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

<b>4</b>	<b>Directors' emoluments</b>	<b>£</b>
	Remuneration in respect of directors was as follows:	
	Emoluments	65,345
	Pension contributions to money purchase pension schemes	1,042
		<hr/>
		66,387
		<hr/>
	During the period 1 director participated in money purchase pension schemes.	
	No directors emoluments were paid through the company.	
<b>5</b>	<b>Operating loss</b>	<b>£</b>
	This is arrived at after charging:	
	Amortisation of intangible assets	654,471
	Depreciation of tangible assets	876,834
	Auditors' remuneration - audit fees	20,000
	- other taxation services	6,250
	- other accounting services	6,250
	Hire of land and buildings - operating leases	652,233
	Exchange differences	84,351
		<hr/>
<b>6</b>	<b>Interest payable</b>	<b>£</b>
	Bank loans	1,621,245
	Less interest capitalised	(61,772)
		<hr/>
		1,559,473
		<hr/>

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

<b>7</b>	<b>Taxation</b>	<b>£</b>
	<i>Current tax</i>	
	UK corporation tax on profit for the period	-
	US corporation tax on profit for the period	-
		<hr/>
	Total current tax	-
	<i>Deferred tax</i>	
	Origination and reversal of timing differences (note 16)	(156,941)
		<hr/>
	Taxation credit on loss on ordinary activities	(156,941)
		<hr/>
	The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:	
		<b>£</b>
	Loss on ordinary activities before tax	(3,656,350)
		<hr/>
	Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(1,096,905)
	Effects of:	
	Expenses not deductible for tax purposes	336,335
	Depreciation for period in excess of capital allowances	(68,889)
	Losses carried forward	369,991
	Movement on provisions	(1,695)
	Losses brought forward	(14,562)
	Utilisation of tax losses	(58,356)
	Unutilised tax losses	534,081
		<hr/>
	Current tax charge for period	-
		<hr/>

There are tax losses of £1,068,121 in SHG Acquisition UK Limited which have not been recognised as they are not available for group relief.

## 8 Profit for the financial period

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the period includes a loss after tax of £1,068,121 which is dealt with in the financial statements of the parent company.

## SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (*Continued*)

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<b>9</b>	<b>Intangible fixed assets</b>	<b>£</b>
	<b>Goodwill</b>	
	<i>Cost</i>	
	At incorporation	-
	Arising on acquisition of subsidiary undertakings (note 20)	62,829,225
		<hr/>
	At 30 March 2008	<b>62,829,225</b>
		<hr/>
	<i>Amortisation</i>	
	At incorporation	-
	Charge for the period	654,471
		<hr/>
	At 30 March 2008	<b>654,471</b>
		<hr/>
	<i>Net book value</i>	
	At incorporation	-
		<hr/>
	At 30 March 2008	<b>62,174,754</b>
		<hr/>

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

10 Tangible fixed assets									
Group		Freehold land and buildings £	Leasehold properties and improvements £	Office equipment £	Furniture and equipment £	Motor vehicles £	Total £		
<i>Cost</i>									
At incorporation		-	-	-	-	-	-		
Acquired on acquisition		20,255,244	20,324,690	1,417,164	14,160,264	127,222	56,284,584		
Additions		859,072	1,443,787	130,903	1,252,760	-	3,686,522		
At 30 March 2008		21,114,316	21,768,477	1,548,067	15,413,024	127,222	59,971,106		
<i>Depreciation</i>									
At incorporation		-	-	-	-	-	-		
Acquired on acquisition		-	2,474,790	656,028	5,942,097	87,620	9,160,535		
Charge for the period		-	225,838	71,319	574,086	5,591	876,834		
At 30 March 2008		-	2,700,628	727,347	6,516,183	93,211	10,037,369		
<i>Net book value</i>									
At incorporation		-	-	-	-	-	-		
At 30 March 2008		21,114,316	19,067,849	820,720	8,896,841	34,011	49,933,737		

During the period interest costs of £61,772 were capitalised as part of the cost of freehold land, buildings and improvements and leasehold properties and improvements, in line with the group's accounting policy.

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 11 Fixed asset investments

Company	Shares in subsidiary undertakings £
Cost	
At incorporation	-
Additions	96,637,684
	<hr/>
At 30 March 2008	96,637,684
	<hr/>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Name	Country of incorporation/ registration	Proportion of voting rights and ordinary share capital held at 30 March 2008	Principal activity
Soho House Limited	England	100%	Leisure
Soho House UK Limited	England	100%*	Leisure
Cowshed Products Limited	England	100%*	Cosmetics
NBJ Leisure Limited	England	100%*	Non trading
Soho House US Corp	USA	100%*	Holding
Soho House LLC	USA	98.75%*	Holding
Soho House New York LLC	USA	98.75%*	Leisure
Soho House Beach House LLC	USA	98.75%*	Leisure
Soho House New York Inc	USA	98.75%*	Non trading
Soho House West Hollywood LLC	USA	98.75%*	Leisure
Soho House Berlin GmbH	Germany	100%*	Leisure

\*denotes indirect holding by the company

For all undertakings listed above, the country of operation is the same as the country of incorporation or registration.

## 12 Stocks

	Group £	Company £
Raw materials	228,646	-
Finished goods and goods for resale	153,402	-
Consumables	1,350,258	-
	<hr/>	<hr/>
	1,732,306	-
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

## SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 *(Continued)*

### 13 Debtors

	Group £	Company £
Trade debtors	1,760,287	22
Amounts due from related undertakings	-	20,030
Amounts due from subsidiary undertakings	-	10,746,314
Other debtors	1,917,268	-
Prepayments and accrued income	1,556,102	-
Corporation tax debtor	64,509	-
Other taxes and social security costs	120,641	87,318
	<u>5,418,807</u>	<u>10,853,684</u>

All amounts shown under debtors fall due for payment within one year.

### 14 Creditors: amounts falling due within one year

	Group £	Company £
Bank overdrafts	856,944	-
Trade creditors	3,615,013	-
Amounts owed to subsidiary companies	-	421,456
Other taxes and social security costs	1,930,993	-
Other creditors	552,142	-
Accruals and deferred income	5,888,275	1,055,620
	<u>12,843,367</u>	<u>1,477,076</u>

### 15 Creditors: amounts falling due after more than one year

	Group £	Company £
<i>Amounts falling due after more than one year:</i>		
Bank loans	79,416,787	77,130,249
Other loans	30,000,000	30,000,000
	<u>109,416,787</u>	<u>107,130,249</u>

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 15 Creditors: amounts falling due after more than one year (Continued)

### Analysis of repayments

	Bank loans and overdrafts £	Other loans £	Total £
Within one year	856,944	-	856,944
In more than one year but not more than two years	-	-	-
In more than two years but not more than five years	79,416,787	-	79,416,787
In more than five years	-	30,000,000	30,000,000
	<b>79,416,787</b>	<b>30,000,000</b>	<b>109,416,787</b>

The bank loan is secured by a fixed and floating charge over the properties and the assets of the group. The bank loan bears an interest rate of LIBOR + 1%.

The other loan relates to loan notes repayable in 2028 which are non-interest bearing.

## 16 Provision for liabilities and charges £

### Deferred taxation

At incorporation	-
Provision at acquisition	1,459,178
Credit to the profit and loss account	(156,941)
	<b>1,302,237</b>
At 30 March 2008	<b>1,302,237</b>
The deferred tax provision is comprised of:	
Accelerated capital allowances	1,302,237

The deferred tax movement is partly attributable to the phasing out of hotels building allowances.

## 17 Share capital £

### Authorised

1,000 ordinary shares of £1 each	<b>1,000</b>
Allotted, called up and fully paid	
1 ordinary share of £1 each (note 19)	<b>1</b>

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 *(Continued)*

## 18 Profit and loss account

	Group £	Company £
At incorporation	-	-
Loss for the period	(3,494,593)	(1,068,121)
Exchange translation differences on consolidation	25,552	-
	<hr/>	<hr/>
At 30 March 2008	(3,469,041)	(1,068,121)
	<hr/>	<hr/>

## 19 Reconciliation of movement in shareholders' funds

	Group £	Company £
Opening shareholders' funds	-	-
Loss for the period	(3,494,593)	(1,068,121)
Issue of shares	1	1
Gain on exchange translation differences on consolidation	25,552	-
	<hr/>	<hr/>
Closing shareholders' deficit	(3,469,040)	(1,068,120)
	<hr/>	<hr/>



# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 20 Acquisitions

### *Acquisition of Soho House Limited and subsidiaries*

On 16 January 2008 the company acquired the entire issued share capital of Soho House Limited for consideration of £94,859,773 which was settled in cash.

In calculating the goodwill arising on acquisition, the fair value of the consolidated net assets of the Soho House Limited group have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value £	Revaluation of fixed assets £	Fair value £
Fixed assets			
Tangible	46,838,635	285,413	47,124,048
Intangible	5,464,597	(5,464,597)	-
Current assets			
Stocks	1,884,509	-	1,884,509
Debtors	11,076,216	-	11,076,216
Cash at bank and in hand	7,596,412	-	7,596,412
<b>Total assets</b>	<b>72,860,369</b>	<b>(5,179,184)</b>	<b>67,681,185</b>
Creditors			
Due within one year	32,366,910	-	32,366,910
Due in more than one year	-	-	-
Provisions	1,459,178	-	1,459,178
Minority interest	46,638	-	46,638
<b>Net assets</b>	<b>38,987,643</b>	<b>(5,179,184)</b>	<b>33,808,459</b>
			£
Fair value of consideration (including expenses of £1,777,911)			96,637,684
Net assets acquired			33,808,459
Goodwill arising on acquisition (note 9)			62,829,225

The revaluation of fixed assets relates to the assessed fair value of the freehold land and buildings, and the write off of goodwill held by the Soho House Limited group on acquisition.

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 20 Acquisitions (Continued)

The results of the Soho House Limited group prior to its acquisition were as follows:

### Profit and loss account

	9 month period to 17 January 2008 £	Year to 30 March 2007 £
Turnover	40,989,852	43,152,139
Operating profit	2,633,395	1,560,077
Loss on disposal of fixed assets	-	(190,205)
Net interest payable	(803,799)	(1,219,749)
Profit on ordinary activities before taxation	1,829,596	150,123
Taxation on profit from ordinary activities	-	(355,438)
Minority interest	(2,338)	(6,677)
Profit/(loss) for the period	1,827,258	(211,992)

### Cash flows

The net outflow of cash arising from the acquisition of the Soho House Limited group was as follows:

	£
Cash consideration	(96,637,684)
Cash acquired	7,596,412
Less overdraft acquired	(343,004)
Net outflow of cash	(89,384,276)

## 21 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £
Operating leases which expire:	
Within one year	60,000
In one to five years	-
Over five years	2,668,505
	2,728,505

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 22 Capital commitments

	Group £	Company £
Capital expenditure contracted for but not provided	1,992,232	-

## 23 Reconciliation of operating profit to net cash inflow from operating activities

	£
Operating loss	(2,183,064)
Amortisation of intangible fixed assets	654,471
Depreciation of tangible fixed assets	876,834
Decrease in stocks	152,203
Increase in debtors	(288,734)
Increase in creditors	1,770,885
Exchange adjustments	25,552
Net cash inflow from operating activities	1,008,147

## 24 Reconciliation of net cash flow to movement in net debt

	£
Increase in cash	18,119
Cash inflow from changes in debt	94,760,574
Movement in net debt	94,778,693
Net debt on acquisition	14,619,975
Closing net debt	109,398,668

# SHG Acquisition (UK) Limited

Notes forming part of the financial statements  
for the period ended 30 March 2008 (Continued)

## 25 Analysis of net debt

	On incorporation £	Acquired on acquisition £	Other cash flow £	At 30 March 2008 £
Cash at bank and in hand	-	7,596,412	(6,721,349)	875,063
Bank overdraft	-	(343,004)	(513,940)	(856,944)
	-	7,253,408	(7,235,289)	18,119
Bank loans due within one year	-	(17,596,475)	17,596,475	-
Bank loans due after more than one year	-	-	(79,416,787)	(79,416,787)
Other loans	-	(4,276,908)	(25,723,092)	(30,000,000)
Total	-	(14,619,975)	(94,778,693)	(109,398,668)

## 26 Ultimate controlling parties and related parties

The intermediate and ultimate holding company of SHG Acquisition UK Limited at 30 March 2008 was Abertarff Limited, a Jersey registered company.

At 30 March 2008, the ultimate controlling party was R A Caring as he had significant influence over the control of the group.

As at 30 March 2008 an amount of £20,030 was owed by Abertarff Limited to SHG Acquisition UK Limited.

Loan notes are held by two of the directors of the company, R A Caring and N K A Jones who hold £24,000,000 and £2,675,000 respectively. K Young, the wife of N K A Jones, held loan notes of £3,325,000. These loan notes are non interest bearing.