

**REGISTRAR OF
COMPANIES**

SHG Acquisition (UK) Limited

Report and Financial Statements

52 Weeks Ended

28 March 2010

Company Number 6395943

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SHG Acquisition (UK) Limited

Report and financial statements for the 52 weeks ended 28 March 2010

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Directors

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

Secretary and registered office

JWS Lawrence, 26-28 Conway Street, London, W1T 6BQ

Company number

6395943

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

SHG Acquisition (UK) Limited

Report of the directors for the 52 weeks ended 28 March 2010

The directors present their report together with the audited financial statements for the 52 weeks ended 28 March 2010

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

Principal 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

The consolidated turnover for the group is £74.3m representing continued growth of our existing sites as well as the addition of new sites. The group Earnings before interest, taxation, depreciation and amortisation ("EBITDA") is £8.5m (2009 – £6.6m) and the group generated cash from operations of £12.2m compared to £7.9m in 2009.

Dean Street Townhouse opened its doors in November 2009 to critical acclaim and achieved £2.1m of sales from opening to the year end, some £600,000 more than budgeted. The Hoxton Grill also opened in June 2009 under our control and achieved spectacular sales of £2.2m in the period to March 2010. Existing sites also performed well with EBITDA growth on the prior year: Babington (21.5%), Soho House (27.3%), High Road House (17.1%), Shoreditch House, with extended roof space (12.3%), Cafe Boheme (79.6%), BKB (12.2%) and Cecconi's (33.4%) and Soho House NY (7.8%). Cecconi's LA reported a profit of \$468,000 in its first full year of operation, more than double its budget. This is a strong performance from each of the group's units especially given the uncertain economic conditions.

In April 2010 Soho House West Hollywood was opened, just a mile away from our successful Cecconi's site. A total of £12m was invested in the site for the period to opening.

The group continued its investment in Miami (£15.2m to date) including the purchase of the freehold tower, for £9.1m, which forms approximately one third of the entire property, with the remainder of the property being leased to Soho House. Miami is due to open in October 2010. The group was also nearing its completion of Berlin Soho House, due to open in May 2010. The investment in this property was £4m.

An investment of £1.5m was made in the maintenance of existing units to keep our properties to the highest standards.

The group is funding the various investments from the agreed capital facility from the group's bankers. The group uses the overdraft facility for the day to day running of operations. The group also services its term debt used partly for the acquisition of the group.

The company's consolidated loss after amortisation, depreciation and taxation was £5.5m.

SHG Acquisition (UK) Limited

Report of the directors for the 52 weeks ended 28 March 2010 (*Continued*)

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 before depreciation and amortisation. We benchmark these measures against the appropriate industry competitors and make the necessary controls to ensure that we achieve our target ratios.

	2010	2009
Gross profit margin	78.8%	77.9%
Group operating margin before depreciation and amortisation	11.4%	11%

Gross profit margin was within expectations for the period and the directors are satisfied with the operating margins generated.

Post balance sheet events

On 1 April 2010 the group acquired the entire issued share capital of Pizza East Limited, a related party company by virtue of common control by R A Caring.

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.

Foreign exchange risk

As a result of the significant investment in operations in the USA, the Group's balance sheet and profit and loss can be significantly affected by movements in the US dollar/sterling exchange rates. The Group minimises its exposure to investments in foreign currencies where possible by aligning the currencies of liabilities and assets.

SHG Acquisition (UK) Limited

Report of the directors for the 52 weeks ended 28 March 2010 (*Continued*)

Financial risk management objectives and policies (*Continued*)

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

Directors

The directors of the company during the period were

R A Caring
L Copperthwaite
J W S Lawrence
N K A Jones
G J Williams (appointed 1 September 2009)

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 2006

SHG Acquisition (UK) Limited

Report of the directors for the 52 weeks ended 28 March 2010 (Continued)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

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 LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

J W S Lawrence



Director

28 September 2010

SHG Acquisition (UK) Limited

Independent auditor's report

TO THE MEMBERS OF SHG ACQUISITION (UK) LIMITED

We have audited the financial statements of SHG Acquisition (UK) Limited for the 52 weeks ended 28 March 2010 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 March 2010 and of the group's loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

SHG Acquisition (UK) Limited

Independent auditor's report (*Continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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

BDO LLP

*David Campbell, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

30 September 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

SHG Acquisition (UK) Limited

Consolidated profit and loss account for the 52 weeks ended 28 March 2010

	Note	2010 £	2009 £
Turnover	2	74,299,703	60,665,955
Cost of sales		(15,783,079)	(13,414,695)
Gross profit		58,516,624	47,251,260
Administrative expenses		(59,382,329)	(48,594,563)
EBITDA *		8,466,023	6,673,966
Depreciation	10	(6,177,669)	(4,867,878)
Amortisation	9	(3,154,059)	(3,149,391)
Operating loss	5	(865,705)	(1,343,303)
Interest receivable		-	30,597
Interest payable	6	(4,379,272)	(4,711,345)
Loss on ordinary activities before taxation		(5,244,977)	(6,024,051)
Tax (charge)/credit on loss on ordinary activities	7	(300,947)	955,700
Loss on ordinary activities after taxation		(5,545,924)	(5,068,351)
Loss attributable to minority interests		15,019	8,938
Loss for the financial period	19	(5,530,905)	(5,059,413)

* EBITDA = Earnings before interest, taxation, depreciation and amortisation

All amounts relate to continuing activities

The notes on pages 12 to 27 form part of these financial statements

SHG Acquisition (UK) Limited

Consolidated statement of total recognised gains and losses for the 52 weeks ended 28 March 2010

	Note	2010 £	2009 £
Group loss for the financial period	19	(5,530,905)	(5,059,413)
Exchange translation differences on consolidation	19	(769,196)	4,106,961
Total recognised gains and losses for the financial period		<u>(6,300,101)</u>	<u>(952,452)</u>

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

The notes on pages 12 to 27 form part of these financial statements

SHG Acquisition (UK) Limited

Consolidated balance sheet at 28 March 2010

Company number 6395943	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Intangible assets	9	56,197,937		59,230,273	
Tangible assets	10	101,603,603		77,214,771	
		<u>157,801,540</u>		<u>136,445,044</u>	
Current assets					
Stocks	12	3,397,756		2,472,966	
Debtors - due within one year	13	4,331,502		3,477,047	
- due after more than one year	13	1,892,141		2,062,318	
Cash at bank and in hand		6,170,005		859,320	
		<u>15,791,404</u>		<u>8,871,651</u>	
Creditors' amounts falling due within one year	14	<u>24,094,995</u>		<u>15,650,551</u>	
Net current liabilities		<u>(8,303,591)</u>		<u>(6,778,900)</u>	
Total assets less current liabilities		<u>149,497,949</u>		<u>129,666,144</u>	
Creditors: amounts falling due after more than one year	15	159,555,730		133,708,720	
Provision for liabilities and charges	16	646,452		346,537	
Capital and reserves					
Called up share capital	17	1		1	
Profit and loss account		(10,721,594)		(4,421,493)	
Shareholders' deficit	19	<u>(10,721,593)</u>		<u>(4,421,492)</u>	
Minority interest		17,360		32,379	
		<u>149,497,949</u>		<u>129,666,144</u>	

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2010



J W S Lawrence
Director

The notes on pages 12 to 27 form part of these financial statements

SHG Acquisition (UK) Limited

Company balance sheet at 28 March 2010

Company number 6395943	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Investments	11		96,637,684		96,637,684
Current assets					
Debtors	13	4,119,626		7,157,084	
Cash at bank and in hand		338		39	
		<u>4,119,964</u>		<u>7,157,123</u>	
Creditors: amounts falling due within one year	14	852,529		1,041,153	
Net current assets			<u>3,267,435</u>		<u>6,115,970</u>
Total assets less current liabilities			<u>99,905,119</u>		<u>102,753,654</u>
Creditors: amounts falling due after more than one year	15		107,284,250		107,206,750
Capital and reserves					
Called up share capital	17	1		1	
Profit and loss account		(7,379,132)		(4,453,097)	
Shareholders' deficit	19		<u>(7,379,131)</u>		<u>(4,453,096)</u>
			<u>99,905,119</u>		<u>102,753,654</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2010


J W S Lawrence
Director

The notes on pages 12 to 27 form part of these financial statements

SHG Acquisition (UK) Limited

Consolidated cash flow statement for the 52 weeks ended 28 March 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash inflow from operating activities	22		12,169,986		7,906,456
Returns on investments and servicing of finance					
Interest received		-		30,597	
Interest paid		(4,420,669)		(5,248,021)	
			(4,420,669)		(5,217,424)
Taxation					
UK corporation tax			-		-
Capital expenditure					
Purchase of tangible fixed assets			(26,127,334)		(14,454,222)
Purchase of intangible fixed assets			(51,267)		(113,975)
Acquisitions and disposals					
Acquisition of subsidiary undertakings		-		(9,119,617)	
Acquisition of additional minority shares		(70,456)		(90,935)	
			(70,456)		(9,210,552)
Cash outflow before use of liquid resources and financing			(18,499,740)		(21,089,717)
Financing					
New bank loans taken out	23		19,751,310		19,401,904
Increase/(decrease) in cash	24		1,251,570		(1,687,813)

The notes on pages 12 to 27 form part of these financial statements

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the 52 weeks ended 28 March 2010

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:

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 and 2. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Business Review on pages 1 to 2.

The group has sufficient financial resources together with an established business model operating profitably across different geographic areas and generating revenue from a number of different sources as discussed on pages 1 and 2. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 28 March 2010, the directors have taken into consideration detailed forecasts for the group, the availability of funding to the Group and the Group's bank covenant position. The funding available to the Group is disclosed further in the Business Review on pages 1 and 2.

Based on this assessment and the projected trading for the Group showing that it will not breach bank covenants, the directors are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements for the period ended 28 March 2010.

Basis of consolidation

The consolidated financial statements incorporate the results of SHG Acquisition (UK) Limited and all of its subsidiary undertakings as at 28 March 2010 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.

Intangible assets - 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:

- in the period of acquisition and 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.

Intangible assets - trademarks

Trademarks are initially recognised in the balance sheet at cost. The trademarks are amortised over their estimated useful lives which is 10 years.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (*Continued*)

1 Accounting policies (*Continued*)

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

Assets under construction are stated at cost with no provision for depreciation

Depreciation has not been provided on freehold buildings, as in the opinion of the directors the residual value of the freehold buildings is in excess of its carrying value. Impairment reviews are performed annually and any impairment loss provided, where applicable

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

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (*Continued*)

1 Accounting policies (*Continued*)

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.

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.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (Continued)

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

	2010 Europe (excluding UK) £	2010 UK £	2010 US £	2010 Total £	2009 Europe (excluding UK) £	2009 UK £	2009 US £	2009 Total £
Turnover	-	55,771,356	18,528,347	74,299,703	-	48,179,650	12,486,305	60,665,955
EBITDA *	(300,183)	8,083,547	682,659	8,466,023	(781)	6,093,898	580,849	6,673,966
Depreciation	-	(3,807,304)	(2,370,366)	(6,177,669)	-	(3,283,213)	(1,584,665)	(4,867,878)
Amortisation	-	(3,154,059)	-	(3,154,059)	-	(3,149,391)	-	(3,149,391)
Loss before tax	(300,183)	(3,156,557)	(1,788,237)	(5,244,977)	(781)	(5,048,621)	(974,649)	(6,024,051)
Net (liabilities)/assets	(216,514)	(11,435,829)	930,749	(10,721,593)	87,937	(7,993,262)	3,483,833	(4,421,492)

* EBITDA = Earnings before interest, taxation, depreciation and amortisation

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (*Continued*)

3 Employees

	2010 £	2009 £
Staff costs consist of		
Wages and salaries	24,618,539	20,781,110
Social security costs	2,726,917	2,459,149
Other pension and healthcare costs	585,570	555,766
	<u>27,931,026</u>	<u>23,796,025</u>
The average monthly number of employees, including directors and part time employees, during the period was	Number	Number
Administration	159	126
Operations	1,541	1,197
	<u>1,700</u>	<u>1,323</u>

4 Directors' emoluments

	2010 £	2009 £
Remuneration in respect of directors was as follows		
Emoluments	591,797	441,461
Pension contributions to money purchase pension schemes	20,800	5,000
	<u>612,597</u>	<u>446,461</u>

The above remuneration relates to two directors (2009 - one director) who are remunerated by the company

During the period two directors participated in money purchase pension schemes

No directors emoluments were paid through the company

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (Continued)

5 Operating loss

	2010 £	2009 £
This is arrived at after charging		
Amortisation of intangible assets - goodwill	3,141,461	3,141,461
- trademarks	12,598	7,930
Depreciation of tangible assets	6,177,669	4,867,878
Auditors' remuneration - for the audit of the company	20,000	20,000
- for the audit of subsidiaries	65,000	55,000
- other taxation services	105,000	20,000
- other accounting services	-	10,000
Hire of land and buildings - operating leases	6,027,671	4,301,913
Exchange differences	1,532	(238,183)
	<u> </u>	<u> </u>

6 Interest payable

	2010 £	2009 £
Bank loans and overdrafts	4,594,154	4,844,556
Less interest capitalised	(214,882)	(133,211)
	<u> </u>	<u> </u>
	4,379,272	4,711,345
	<u> </u>	<u> </u>

7 Taxation

	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax on profit for the period	-	-
Adjustments in respect of prior years	1,032	-
	<u> </u>	<u> </u>
Total current tax	1,032	-
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 16)	45,634	(411,880)
Adjustment in respect of prior years (note 16)	254,281	(543,820)
	<u> </u>	<u> </u>
Taxation charge/(credit) profit/(loss) on ordinary activities	300,947	(955,700)
	<u> </u>	<u> </u>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (*Continued*)

7 Taxation (*Continued*)

The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	(5,244,977)	(6,024,051)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 – 28%)	(1,468,593)	(1,686,734)
Effects of		
Expenses not deductible for tax purposes	927,192	853,440
Depreciation for period in excess of capital allowances	(61,421)	608,017
Other temporary differences	51,151	-
Losses brought forward	(33,086)	(47,844)
Unutilised tax losses	584,758	273,121
(Over)/under provision in respect of previous years	1,032	-
Current tax charge for period	1,032	-

There are tax losses of £1,068,121 (2009 - £1,068,121) in SHG Acquisition UK Limited which have not been recognised as they are not available for group relief

8 Loss for the financial period

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 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 £4,097,909 (2009 - £3,384,976) 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 52 weeks ended 28 March 2010 (*Continued*)

9 Intangible fixed assets

	Trademarks £	Goodwill £	Total £
<i>Cost</i>			
At 30 March 2009	113,975	62,920,160	63,034,135
Additions	51,267	70,456	121,723
	<hr/>	<hr/>	<hr/>
At 28 March 2010	165,242	62,990,616	63,155,858
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 30 March 2009	7,930	3,795,932	3,803,862
Charge for the period	12,598	3,141,461	3,154,059
	<hr/>	<hr/>	<hr/>
At 28 March 2010	20,528	6,937,393	6,957,921
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 March 2010	144,714	56,053,223	56,197,937
	<hr/>	<hr/>	<hr/>
At 30 March 2009	106,045	59,124,228	59,230,273
	<hr/>	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (Continued)

10 Tangible fixed assets	Assets in course of construction £	Freehold land and buildings £	Leasehold properties and improvements £	Office equipment £	Furniture and equipment £	Motor vehicles £	Total £
Cost							
At 30 March 2009	3,041,106	38,103,717	29,582,182	2,165,142	20,200,849	135,957	93,228,953
Foreign exchange adjustments	(117,985)	(659,264)	(748,899)	(31,368)	(330,388)	-	(1,887,904)
Additions	10,914,579	2,408,721	12,712,863	832,372	5,351,499	3,000	32,223,034
Disposals	-	-	-	(33,682)	-	-	(33,682)
Reclassification	(2,520,497)	-	686,084	54,202	1,780,211	-	-
At 28 March 2010	11,317,203	39,853,174	42,232,230	2,986,666	27,002,171	138,957	123,530,401
Depreciation							
At 30 March 2009	-	-	4,006,982	1,240,804	10,663,797	102,599	16,014,182
Foreign exchange adjustment	-	-	(68,418)	(21,689)	(172,525)	-	(262,632)
Charge for the period	-	-	1,806,309	501,787	3,858,477	11,095	6,177,669
Disposals	-	-	-	(2,420)	-	-	(2,420)
At 28 March 2010	-	-	5,744,873	1,718,481	14,349,750	113,694	21,926,798
Net book value							
At 28 March 2010	11,317,203	39,853,174	36,487,336	1,268,185	12,652,421	25,263	101,603,603
At 30 March 2009	3,041,106	38,103,717	25,575,200	924,338	9,537,052	33,358	77,214,771

During the period interest costs of £214,882 (2009 - £133,211) 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 52 weeks ended 28 March 2010 (Continued)

11 Fixed asset investments

Company	Shares in subsidiary undertakings £
Cost	
At 30 March 2009 and at 28 March 2010	96,637,684

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 28 March 2010	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	99 17%*	Holding
Soho House New York LLC	USA	99 17%*	Leisure
Soho House Beach House LLC	USA	99 17%*	Leisure
Soho House New York Inc	USA	99 17%*	Non trading
Soho House West Hollywood LLC	USA	99 17%*	Leisure
Ryder Properties LLC	USA	99 17%*	Leisure
Soho Ryder Acquisition LLC	USA	99 17%*	Holding company
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 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Finished goods and goods for resale	832,311	646,551	-	-
Consumables	2,565,445	1,826,415	-	-
	3,397,756	2,472,966	-	-

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 52 weeks ended 28 March 2010 (Continued)

13 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Amounts receivable within one year				
Trade debtors	2,778,620	1,683,282	22	22
Amounts due from parent company	20,030	20,030	20,030	20,030
Amounts due from subsidiary undertakings	-	-	4,099,574	7,137,032
Other debtors	344,399	293,515	-	-
Prepayments and accrued income	1,188,453	1,480,220	-	-
	4,331,502	3,477,047	4,119,626	7,157,084
Amounts receivable after more than one year				
Other debtors	1,892,141	2,062,318	-	-
Other debtors relate to rent deposits				

14 Creditors: amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank overdrafts	6,588,129	2,529,014	5,028	782
Trade creditors	5,175,427	4,608,802	-	-
Amounts owed to subsidiary companies	-	-	421,656	598,855
Other taxes and social security costs	1,874,718	1,352,033	-	-
Other creditors	1,117,824	999,578	-	-
Accruals and deferred income	9,338,897	6,161,124	425,845	441,516
	24,094,995	15,650,551	852,529	1,041,153

15 Creditors: amounts falling due after more than one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank loans	129,555,730	103,708,720	77,284,250	77,206,750
Shareholder loan notes	30,000,000	30,000,000	30,000,000	30,000,000
	159,555,730	133,708,720	107,284,250	107,206,750

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (*Continued*)

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

Analysis of repayments

Group	Bank loans and overdrafts 2010 £	Shareholder loan notes 2010 £	Total 2010 £	Bank loans and overdrafts 2009 £	Shareholder loan notes 2009 £	Total 2009 £
Within one year	6,588,129	-	6,588,129	2,529,014	-	2,529,014
In more than one year but not more than two years	-	-	-	-	-	-
In more than two years but not more than five years	129,555,730	-	129,555,730	103,708,720	-	103,708,720
In more than five years	-	30,000,000	30,000,000	-	30,000,000	30,000,000
	136,143,859	30,000,000	166,143,859	106,237,734	30,000,000	136,237,734
Company						
Within one year	5,028	-	5,028	782	-	782
In more than one year but not more than two years	-	-	-	-	-	-
In more than two years but not more than five years	77,284,250	-	77,284,250	77,206,750	-	77,206,750
In more than five years	-	30,000,000	30,000,000	-	30,000,000	30,000,000
	77,289,278	30,000,000	107,289,278	77,207,532	30,000,000	107,207,532

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 shareholder loan notes relate to subordinated loan notes repayable in 2028 which are non-interest bearing and unsecured

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (*Continued*)

16 Provision for liabilities and charges

	2010 £	2009 £
<i>Deferred taxation</i>		
At 30 March 2009	346,537	1,302,237
Origination and reversal of timing differences	45,634	(411,880)
Adjustment in respect of prior periods	254,281	(543,820)
	<hr/>	<hr/>
At 28 March 2010	646,452	346,537
	<hr/>	<hr/>
The deferred tax provision is comprised of Accelerated capital allowances	646,452	346,537
	<hr/>	<hr/>

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

17 Share capital

	2010 Number	Authorised 2009 Number	2010 £	2009 £
<i>Authorised</i>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
	Allotted, called up and fully paid			
	2010 Number	2009 Number	2010 £	2009 £
Ordinary share of £1 each	1	1	1	1
	<hr/>	<hr/>	<hr/>	<hr/>

18 Reserves

Group	Profit and loss account £
At 30 March 2009	(4,421,492)
Loss for the period	(6,300,101)
	<hr/>
At 28 March 2010	10,721,594
	<hr/>
Company	
At 30 March 2009	(4,453,097)
Loss for the period	(2,926,035)
	<hr/>
At 28 March 2010	(7,379,132)
	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (Continued)

19 Reconciliation of movement in shareholders' deficit

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Opening shareholders' deficit	(4,421,492)	(3,469,040)	(4,453,096)	(1,068,120)
Loss for the period	(5,530,905)	(5,059,413)	(2,926,035)	(3,384,976)
(Loss)/gain on exchange translation differences on consolidation	(769,196)	4,106,961	-	-
Closing shareholders' deficit	(10,721,593)	(4,421,492)	(7,379,131)	(4,453,096)

20 Commitments under operating leases

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

	2010 Land and buildings £	2009 Land and buildings £
Operating leases which expire		
Within one year	-	-
In one to five years	-	-
Over five years	7,556,611	4,604,677
	<u>7,556,611</u>	<u>4,604,677</u>

21 Capital commitments

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Capital expenditure contracted for but not provided	3,000,000	15,300,000	-	-

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (Continued)

22 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £	2009 £
Operating loss	(865,704)	(1,343,303)
Amortisation of intangible fixed assets	3,154,059	3,149,391
Depreciation of tangible fixed assets	6,177,669	4,867,878
(Increase) in stocks	(818,715)	(679,345)
Decrease in debtors	(509,278)	179,442
Increase in creditors	5,000,694	1,648,291
Loss on disposal of fixed assets	31,261	84,102
Net cash inflow from operating activities	<u>12,169,986</u>	<u>7,906,456</u>

23 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
(Increase)/decrease in cash	(1,251,570)	1,687,813
Cash inflow from changes in debt	<u>19,751,310</u>	<u>19,401,904</u>
	<u>18,499,740</u>	<u>21,089,717</u>
Non cash changes in net debt (note 24)	<u>6,095,700</u>	<u>4,890,029</u>
Movement in net debt	<u>24,595,440</u>	<u>25,979,746</u>
Opening net debt	<u>135,378,414</u>	<u>109,398,668</u>
Closing net debt	<u>159,973,854</u>	<u>135,378,414</u>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the 52 weeks ended 28 March 2010 (Continued)

24 Analysis of net debt

	At 30 March 2009 £	Other non cash changes £	Other cash flow £	At 28 March 2010 £
Cash at bank and in hand	859,320	-	5,310,685	6,170,005
Bank overdraft	(2,529,014)	-	(4,059,115)	(6,588,129)
	(1,669,694)	-	1,251,570	(418,124)
Bank loans due within one year	-	-	-	-
Bank loans due after more than one year	(103,708,720)	(6,095,700)	(19,751,310)	(129,555,730)
Shareholder loan notes	(30,000,000)	-	-	(30,000,000)
Total	(135,378,414)	(6,095,700)	(18,499,740)	(159,973,854)

Other non cash changes predominantly relate to capital expenditure which was paid for directly by overseas bankers as part of a capital facility available to the group

25 Ultimate controlling parties and related parties

The intermediate and ultimate holding company of SHG Acquisition UK Limited at 28 March 2010 was Abertarff Limited, a Jersey registered company

At 28 March 2010, the ultimate controlling party was R A Caring as he had significant influence over the control of the group

As at 28 March 2010 an amount of £20,300 (2009 - £20,030) was owed by Abertarff Limited to SHG Acquisition UK Limited

Shareholder 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, holds loan notes of £3,325,000 These subordinated loan notes are non interest bearing and unsecured and repayable in 2028

During the period the group provided management services to Pizza East Limited, a related party company by virtue of common control by R A Caring A management fee of £69,900 (2009 - £Nil) was charged during the period In addition the group funded a portion of Pizza East Limited's start up costs At 28 March 2010 Pizza East Limited owed the group £711,164

26 Post balance sheet events

On 1 April 2010 the group acquired the entire issued share capital of Pizza East Limited, a related party company by virtue of common control by R A Caring