

COMPANIES HOUSE

SHG Acquisition (UK) Limited

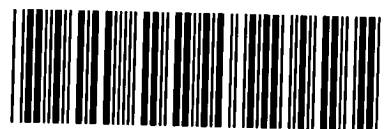
Report and Financial Statements

52 weeks ended

1 January 2017

Company Number 06395943

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COMPANIES HOUSE

SHG Acquisition (UK) Limited
Report and financial statements
for the period ended 1 January 2017

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SHG Acquisition (UK) Limited
Strategic report
for the period ended 1 January 2017

The directors present their strategic report together with the audited financial statements for the 52 week period ended 1 January 2017.

Principal activities

SHG Acquisition (UK) (the "Group") represents the UK and European business of the global group headed by Soho House & Co Limited ("Soho House & Co"). US AcquireCo Inc, a subsidiary of Soho House & Co and US registered company, includes the results of the US business (the "US Group").

Soho House & Co is a hospitality group that operates exclusive private members clubs ("Houses") as well as hotels, restaurants and spas with core operations in the following major metropolitan cities: London, New York, Los Angeles, Miami, Chicago, Toronto, Berlin, Barcelona and Istanbul. The original Soho House was founded in London in 1995 with a vision to create an exclusive social gathering place for like-minded people in the film, media and other creative industries to socialize, network, entertain and/or host private functions such as meetings, events and screenings. We have since grown to have the largest membership base globally that primarily serves the creative industries. Compared to traditional public clubs and hotels, we provide members and guests with a distinctive "home away from home" experience complemented by highly personalized customer service. As a result, we have built and maintained a loyal and coveted membership base, which often includes A-list celebrities, and have cultivated a timeless brand that is associated with exclusivity, privacy, creativity, service and style. As of 1 January 2017, we had 69,400 members with a global waiting list of over 44,000 potential members. We currently operate 18 Houses, 1 hotel, 43 public restaurants, 15 spas, 2 cinemas and 527 hotel rooms across the portfolio.

Access to our Houses is reserved exclusively for members and a select number of their guests as well as our hotel guests during their stay. Membership is highly selective as the application process is designed to determine whether applicants will be compatible with the "House culture." We offer two primary types of membership: access to an individual local House ("Local House Membership") or access to all of our Houses globally ("Every House Membership"). Local House Membership fees range from £400 to £1,275 annually and Every House Membership fees range from £800 to £1,785 annually. As of 1 January 2017, 74% of our members had an Every House Membership, and we believe this percentage will continue to grow as we open additional Houses globally. We maintain a stable, supportive and loyal membership base with low attrition (less than 3.0% per annum over the last three years). In addition, our extensive global waiting list of over 44,000 potential members enables us to control our growth based upon the usage of Houses.

The principal activity of the company was an investment holding company. The review below relates to the Group.

How We Generate Turnover

In measuring and monitoring our operating results, management manages "core" operations separate from its "non-core" operations being In House Build and Design. Management considers that these businesses have different revenue and margin profiles from our core hospitality business which make up our core operations (together defined as "Core" and "Non-Core").

Our primary source of Core turnover is through the provision of food and beverage in our Houses and restaurants. Our average Core turnover mix for the 52 weeks ended 1 January 2017 was as follows: food and beverage accounted for 52%, membership fees receipts accounted for 16%, accommodations accounted for 14% and Home, Retail and other sales accounted for 18%.

Turnover

Turnover was £175.2m for the 52 weeks to 1 January 2017, compared to £195.2m for the 53 weeks to 3 January 2016, which represents a decrease of £20.0m or 10%.

Our turnover from Core operations was £156.1m for the 52 weeks to 1 January 2017, compared to £137.2m for 53 weeks ended 3 January 2016, which represents an increase of £18.9m or 14%. The increase was driven by an increase in food and beverage turnover of £2.1m, a growth in membership and registration fee turnover of £6.5m, accommodation turnover growth of £5.9m and an increase of turnover in Soho Home retail, Cowshed spa, treatments, product sales and other income of £4.4m.

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How We Generate Turnover (*continued*)

Food and beverage and accommodation turnover increased £10.0m and £4.4m respectively due to the full period impact of 2015 openings, 76 Dean Street and Farmhouse. The food and beverage turnover was offset by £8.6m due to the closure of Soho House, Greek Street, SKB and Café Bohème in March 2016 for a 21 month refurbishment. Other sites including Dean Street Townhouse, Cecconi's, Berlin, Shoreditch House, High Road House and Electric have traded ahead of the comparable period.

Membership fee turnover increased due to the opening of new Houses in the prior period (Soho House Istanbul opened in March 2015, Soho Farmhouse opened in August 2015) which contributed to an overall increase in global membership for Soho House & Co from nearly 56,000 members at 3 January 2016 to 69,400 members at 1 January 2017. Turnover also grew due to increases in member numbers in existing Houses.

Home and Retail turnover has increased since the comparable period due to the launch of Soho Home during the current year. The Soho Home retail business successfully launched to members in March 2016 and to the wider general public in September 2016. Soho Home is an online retail store for home furnishings, including beds, sofas, home decorations and cutlery. Soho Home allows members and non-members alike to replicate the exclusive Soho House feel in their own homes. Cowshed turnover has increased since the comparable period due to an increase in strategic retail and commercial deals with selected partners driving sales growth and Cowshed Primrose Hill and Holborn in their second full year of trading.

Non-Core turnover decreased by £38.9m to £19.1m due to In House Design & Build completing the design and fit out work at 76 Dean Street and Farmhouse on behalf of the developers during 2015 and therefore no comparable revenue in the current period.

Cost of Sales

Cost of sales was £45.5m for the 52 weeks to 1 January 2017, compared to £85.2m for the 53 weeks ended 3 January 2016, which represents a decrease of £39.7m or 47%. The decrease in cost of sales is mainly attributable to In House Design and Build completing work in 2015 on major projects at 76 Dean Street and Farmhouse.

Cost of sales for Core operations (excluding In House Design and Build) was £28.9m for the 52 weeks to 1 January 2017, compared to £27.5m for the 53 weeks ended 3 January 2016, which represents an increase of £1.3m or 5%. Cost of sales as a percentage of Core turnover reduced to 18.5% for the 52 weeks ended 1 January 2017 from 20% for the 53 weeks ended 3 January 2016, primarily due to the membership income increasing turnover with a limited impact on cost of sales.

Cost of sales of non-Core were £16.6m, which related to costs of the services provided by In House Design and Build, which is a low margin business.

Gross Profit

Gross profit was £129.8m for the 52 weeks to 1 January 2017, compared to £110.0m for the 53 weeks ended 3 January 2016, which represents an increase of £19.8m or 18%.

Gross profit for Core operations was £127.2m for the 52 weeks to 1 January 2017, compared to £109.7m for the 53 weeks ended 3 January 2016, which represents an increase of £17.6m or 16%. As a percent of Core turnover, gross margin improved to 81.5% for the 52 weeks to 1 January 2017 from 80% for the 53 weeks ended 3 January 2016, primarily due to the increase in member revenue.

Administrative Expenses

Administrative expenses were £140.1m for the 52 weeks to 1 January 2017, compared to £122.4m for the 53 weeks ended 3 January 2016, which represents an increase of £17.7m or 14%. The increase in administrative expenses has been driven by increased costs associated with new property openings and openings in the pipeline since the equivalent period last year which has also led to increased personnel numbers and therefore higher salary and related people costs.

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How We Generate Turnover (*continued*)

Adjusted EBITDA

The Group adjusted earnings before interest, taxation, depreciation, amortisation, foreign exchange, new site development costs, profit on disposal of fixed assets and subsidiary undertakings, non-cash rent and other exceptional items, and including share of joint venture adjusted EBITDA is £15.3m (3 January 2016 - £14.9m) - growth on prior period of 3%.

Food and Beverage Sales

Our Houses pride themselves on offering consistently high quality food and beverage options to our members and other guests. We operate a training program for chefs and bartenders, *House Four*, ensuring that our staff can provide each guest with consistent food and beverage quality across all of our Houses and restaurants at competitive prices. We have found throughout the years that the desire to serve the best food and drinks to our members in our Houses has provided us the platform and access to develop restaurant ideas that have grown into successful independent concepts.

Our restaurants offer a range of cuisine from classic Italian to modern British. Our restaurant concepts (including joint ventures) range from fine dining to fast casual dining include *Café Bohème*, *High Road House Brasserie*, *Cecconi's*, *Chicken Shop*, *Dirty Burger*, *Pizza East*, *Hoxton Grill* and *The Allis*. The restaurants are open to the public while also providing our members with convenient dining options.

Our food and beverage sales for the 52 weeks to 1 January 2017 were £80.6m with a food and beverage sales mix of 45% and 55%, respectively. For the 53 weeks to 3 January 2016 food and beverage sales were £78.5m with a food and beverage sales mix of 44% and 56%, respectively. This represents a 4% and 2% increase in food and beverage sales respectively on the comparable period last year. The increase in the food and beverage sales is impacted negatively by the closure of Soho House (Greek Street), SKB and Café Bohème in March 2016 for a 21 month refurbishment and by the disposal of our 50% stake in the Pizza East, Chicken shop and Dirty Burger businesses at the end of March 2015. The comparative figures include the full trading relating to these businesses. If the prior period is adjusted to exclude these results, the food and beverage sales mix is 45% and 55% in the prior period and food and beverage sales have grown 23% and 22% respectively on the comparable period.

Membership Fees

As of 1 January 2017 Soho House & Co had 69,400 members with over 44,000 potential members on our global waiting list. Membership is generally reserved for individuals from the film, media and creative industries and each application must be supported by two existing members. Applications are then vetted by a committee of current members on a quarterly basis.

Membership fees provide us with turnover that is unique to our principal business as a private members club. There are minimal direct costs to maintain the membership base and membership fees flow directly to Adjusted EBITDA, which gives us visibility over a stable revenue stream, a high cash conversion rate and the opportunity to generate significant additional cash flows by increasing our membership base. In January 2017, we increased our Every House membership fee by £250, \$400 and €300 per annum. Our membership attrition is less than 3% per annum. We anticipate that the membership base and waiting list will continue to grow as new Houses are opened.

Membership and registration fee income for the 52 weeks to 1 January 2017 was £24.8m compared to £18.3m for the 53 weeks to 3 January 2016 representing a 36% increase on the comparable period last year.

Accommodations

As of 1 January 2017, Soho House & Co operated twelve boutique hotels comprised of 527 rooms across our global portfolio. Other than Dean Street Townhouse, all of our hotels are co-located within our Houses. Our portfolio is comprised of the following: 175 rooms in the U.K.; 119 rooms in the U.S., 65 rooms, 20 apartments and 4 "loft" rooms in Berlin, 86 rooms and 1 apartment in Istanbul and 57 rooms in Barcelona. These hotel rooms are open for occupancy to both members and the general public. Non-member guests are issued a temporary local House membership for the duration of their stay in our hotels that are co-located with our Houses, providing guests with full access to all of the facilities that are available within the House.

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How We Generate Turnover (*continued*)

The Group has a fixed rate pricing structure for our members to create pricing consistency and to build brand loyalty driven by complete transparency over the rates members are paying. While the rates are “fixed”, there are some variations in the fixed rates depending on season or by weekday/weekend and this varies across the hotels.

Our average occupancy is over 90% for all recent periods.

Across our UK and European portfolio, average occupancy was 91.4% and the average room rate was £262 during the 52 weeks to 1 January 2017. Total accommodation sales for the 52 weeks to 1 January 2017 were £22.6m compared to £16.7m for the 53 weeks to 3 January 2016 representing a 35% increase on the comparable period last year.

Home, Retail and other

The Soho House & Co *Cowshed* brand consists of 13 spas and boutiques, often located in or adjacent to our Houses. *Cowshed* spa products are also sold through luxury retailers in the U.K. and the U.S, featured on a major international airline carrier and are available online for global delivery. We also launched Soho Home retail to members and the general public during 2016.

In House Design and Build

In addition to the above operations, we also undertake construction and design projects for external third-party contracts. The work is predominantly completed for the landlords on properties where the Group intend to operate sites which allows us to maintain control of the quality and design of the Houses.

Geographic Business Review

United Kingdom

Existing sites have performed well in the current year with Adjusted EBITDA growth on the prior period - Babington House (22%), Electric (11%), High Road House (17%), Shoreditch House (12%) and Little House (45%) being the notable performances. For the Houses, this has been driven by increased membership revenues due to increased new members across existing and recently opened Houses.

Home, Retail and other revenue has grown 19% on prior year. Revenue has grown as a result of an increase in strategic retail and commercial deals with selected partners. The Soho Home retail business successfully launched to members in March 2016 and to the wider general public in September 2016. Soho Home is an online retail store for home furnishings, including beds, sofas, home decorations and cutlery. Soho Home allows members and non-members alike to replicate the exclusive Soho House feel in their own homes.

Building work was completed in May 2016 for 15 additional rooms in Shoreditch. The Group entered into a joint venture which acquired the freehold for the property through a joint venture which has added 16 hotel rooms in the property on Redchurch Street, London. The rooms are serviced by Shoreditch House. Phase 2 which is currently under development will add another 22 rooms plus an 85 cover restaurant.

Non-Core turnover in the UK has decreased by £38.9m to £19.1m due to In House Design & Build completing the design and fit out work at 76 Dean Street and Farmhouse on behalf of the developers during 2015 and therefore no comparable revenue in the current period.

The first Soho Works co-working space opened in Shoreditch, London in November 2015. The 16,000 sq ft space offers 24/7 co-working facilities for individuals and businesses in a combination of open plan and private offices. The Shoreditch site has performed to plan in 2016 and management continues to evaluate options for further expansion in the UK and internationally for Soho Works.

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Strategic report
for the period ended 1 January 2017 (*continued*)

Geographic Business Review (*continued*)

Europe

The Group opened Soho House Barcelona as a joint venture partnership in October 2016. The House is situated on the waterfront in the city's Gothic Quarter, facing Port Vell harbour and includes restaurant, club spaces, Cowshed spa and gym, a pool, and a 57-bedroom hotel. Since opening, the membership base has grown in line with our budget expectations. As we look to 2017, the membership will continue to grow intakes, and continue our focus on driving increased occupation levels and restaurant trade.

As with all businesses in Turkey, Soho House Istanbul has been impacted by the political and macro-economic challenges currently prevailing over the country. Despite this, we have still managed efficiencies in operation by focusing on strict cost control discipline and retaining our membership base, two areas of focus that will continue to remain key as we look to a recovery in 2017 as the economic position in the country stabilise.

Support Office

The Group central costs have increased year on year as we have continued to invest in our central team to support the growth of the business. This includes in-housing of our design and development team as well as investment in people, systems and IT projects, to support the rollout of new sites and pipeline of future developments which are described in "Future Developments".

The Group has continued to focus on efficiencies as well as trying to support and drive revenue. Management continues to invest in supporting the growth of the business which shows a strong pipeline of new developments in 2017 and further ahead – see "Future Developments"

Investment and Financing

The Group has continued to invest in the growth of the business as well as maintenance of existing units to keep our properties to the highest standards. The Group has funded the various investments in the current year from its own working capital as well as funding from parent companies. The company uses its overdraft facility for the day to day running of operations.

On 27 September 2013, Soho House & Co entered into a £25m floating rate revolving credit facility ("RCF") with Barclays, of which c. £18m relates to SHG Acquisition (UK) Limited and subsidiaries and \$10m relates to the US. At 1 January 2017, the Group had fully drawn against this facility. The facility is secured on a fixed and floating charge basis over the assets of the Group. In February 2016, the RCF was extended by an additional £5m – taking the total facility to £30m.

During the period, the Soho House & Co received funding from shareholders totalling £21.2m. The shareholder loans carry interest at 8% and are repayable in February 2018.

Future developments

The Group continues to look for new opportunities to expand the Soho House brand both domestically and internationally.

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Strategic report
for the period ended 1 January 2017 (*continued*)

Future developments (*continued*)

In April 2017, The Ned (a site owned by a related party) opened in the former Midland Bank building in the heart of the City of London. The Group operates the site under a management operating agreement. It has nine restaurants, 252 hotel rooms, a range of men's and women's grooming services, and a private members' club. The Ned Club is available to hotel guests and members and also features a rooftop with a 360 degree view of London, a pool, Canopy Bar and Restaurant and Princes Street and Poultry Domes. The Ned will transform the bank vault into Ned's Club Downstairs and the Vault Room lounge bar. Ned Club Active is the members-only fitness centre with a yoga studio, Pilates, a spin room and boxing gym amongst the training equipment. Members will also enjoy access to Ned Club Relax that contains a 20 meter swimming pool, hamam, sauna and steam room.

Soho House Mumbai - a 55,000 square foot beachfront house with 37 rooms, club, pool, screening room, and Cecconi's restaurant, opening under a management agreement in late 2017.

Soho Works, Shoreditch opened successfully in November 2015. Soho Works will be an international network of round-the-clock workspaces from the Group, designed and equipped to support a membership of individuals and businesses in the creative industries. Additional Soho Works sites are planned for Los Angeles and London.

40 Greek Street / Kettner's Townhouse

In March 2016, we closed our original Soho House on Greek Street, along with Café Bohème and Soho Kitchen and Bar ("SKB"). The entire 52,000 sq. ft. property is undergoing re-development into a flagship central London site due to re-open in early 2018. The redevelopment will include a complete refurbishment and restoration of the site, which includes Kettner's (which was acquired in early 2016), Soho House Greek Street, Café Bohème and SKB. The site is made up of 15 former townhouses, of which 11 are listed and two are unlisted Buildings of Merit. The scheme will create Kettner's Townhouse with 32 new bedrooms plus restored Kettner's Grill restaurant in prime Soho site, all of which will be fully open to the public. The buildings will be restored and original features reinstated alongside the sensitive addition of a new pavilion in the internal yard. The club is due to open in January 2018.

Soho House White City

The White City club will be part of the redevelopment of the former BBC television site in West London, with Soho House benefiting from 80,000 sq. ft. club including rooftop pool, gym, screening rooms, rooms, public Allis bar on ground floor with adjoining event space. The club is due to open in April 2018.

Soho House Amsterdam

Soho House Amsterdam, an 85,000 square foot property located in Amsterdam, The Netherlands, and is anticipated to open in early 2017. Soho House Amsterdam is expected to feature a private club, 6 apartments, 79-room hotel, Cowshed Spa, Allis Bar and Cecconi's. The House is due to open in spring 2018.

Soho House Brighton

Soho House Brighton, an 80,000 square foot leasehold property located in Brighton, England. Soho House Brighton is expected to feature a private club, rooftop pool, sundeck and a gym.

Additional sites we are currently looking at include Little Beach House (Barcelona), Hong Kong, Paris, Lisbon, Milan and Sao Paulo.

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Post balance sheet events

On 25 April 2017, Soho House & Co Limited announced that it had signed an agreement with Permira Debt Managers ("PDM") to refinance its existing debt and support future growth. The new agreement delivers an immediate reduction in the average cash cost of debt, extends its debt maturity profile and provides additional liquidity for growth. The new private debt solution is also highly flexible and tailored so that the cost of the loan reduces as the company's net debt levels decrease. The key elements are:

- A £275 million private senior secured loan with a 5 year maturity from closing at Libor + 7%;
- A further £100 million of available financing to drive further global expansion of the business on the same terms.
- Renewal of its RCF of £30m plus £5m accordion for a period of 4.5 years

As a result of the agreement Soho House Bond Limited redeemed its senior secured debt of £152.5 million at 9.125% ahead of the October 2018 redemption date and retired its £40 million of PIK notes, again before the October 2019 maturity. On 23 March 2017, Soho House & Co received £13m of funding from shareholders.

Key performance indicators

In line with our operating objectives we use 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 Adjusted EBITDA 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. The ratios below relate to the Group's Core activities. The margins were within expectations for the period.

	52 weeks ended 1 January 2017	53 weeks ended 3 January 2016
Gross profit margin – Core	81.5%	79.9%
Adjusted EBITDA margin – Core	9.6%	11.2%

Impact of Brexit

As with many businesses in the sector and wider industry, purchasing prices have been impacted by the currency position post Brexit.

We have been able to manage the impact on margins by having fixed agreements in place and options to renew on same or better terms written into existing agreements. Where agreements have come out of fixed terms, we have negotiated better pricing on improved volumes to negate the impact of price rises arising from the exchange rate.

Principal risks and uncertainties

In addition to the opportunities we have to grow and develop our business, the Soho House & Co faces a range of risks and uncertainties as part of both its day to day operations and its corporate activities.

Changes in consumer discretionary spending and general economic factors may adversely affect our results of operations.

We believe our profitability is correlated to discretionary spending, which is influenced by general economic conditions, and the availability of discretionary income and consumer confidence. National, regional and local economic conditions can adversely affect disposable consumer income and consumer confidence. Economic conditions remain volatile, especially in Europe. As a result, our members and other guests may have lower

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for the period ended 1 January 2017 (continued)

Principal risks and uncertainties (continued)

disposable income and reduce the frequency with which they dine out or travel or may choose more inexpensive restaurants, lower cost hotels or otherwise reduce the costs or frequency of their travel and leisure activities in the future. Even an uncertain economic outlook may adversely affect consumer spending in our hospitality operations, as consumers spend less in anticipation of a potential prolonged economic downturn. Unfavourable changes in these factors or in other economic conditions affecting our members and guests could reduce spending in some or all of our properties, impose practical limits on our pricing and increase our costs. Any of these factors could lower our profit margins and have a material adverse effect on our results of operations.

Our continued growth depends on our ability to expand our presence in new and existing markets and develop complementary properties, concepts and product lines.

A substantial amount of our historical growth has been due to successfully establishing Houses in nine major cities across five countries and integrating complementary products and services across our Houses. We intend to replicate our model on an individualized but consistent basis and continue focusing on the cross-selling opportunities created by our comprehensive portfolio of properties. Our continued growth is dependent upon a number of factors, many of which are beyond our control, including our ability to: find quality locations and reach acceptable agreements regarding the lease or purchase of locations; convey the exclusivity of the *Soho House* brand to new markets to attract our target membership; comply with applicable zoning, land use and environmental laws, regulations and requirements; raise or have available an adequate amount of money for construction, development and opening costs; secure acceptable suppliers, particularly in emerging markets; and timely hire, train and retain the skilled management, chefs and other employees necessary to meet staffing needs.

Typically, there has been a “ramp-up” period of time before we expect a new property to achieve our targeted level of performance. We believe pending demand supports our continued growth but there can be no assurance we will successfully attract enough guests to new properties, or that the operating results generated at new properties will meet our expectations or equal the operating results generated at our existing properties or that we will successfully complete development and expansion projects on a timely basis. Our capital and other expenditures may also be higher than expected due to cost overruns, unexpected delays or other unforeseen factors. We may also incur costs for Houses and other concepts which fail to open due to unforeseen circumstances, which could lead to material adverse effects on our business, results of operations and prospects.

We have certain fixed costs which we may be unable to adjust in a timely manner in response to a reduction in turnover.

The costs associated with owning and operating our properties are significant, some of which may not be altered in a timely manner in response to changes in demand for services. Rent expense and property taxes constitute our primary fixed costs and our profitability is dependent on our ability to anticipate and react to increases in food, labour, employee benefits, and similar costs over which we have limited or no control. Food and beverage costs are a significant part of our operating expenses and have increased significantly in recent years and we anticipate those increases may continue. If our turnover declines and we are unable to reduce our expenses in a timely manner, or are unable or unwilling to pass these costs on to our guests, our results of operations could be adversely affected.

If we are unable to compete effectively, our business and operations will be adversely affected.

We compete in numerous segments of the restaurant, hotel and beauty care services and products industries. We face direct competition from other private members’ clubs that exist locally to our own Houses, notwithstanding that other local clubs do not possess a comparable geographic reach, portfolio or offering. No assurance can be given that these competing local clubs, or another new entrant in the private club industry, will not expand and compete with our Houses locally or globally. We do face competition from other operators in each of the other industry segments in which we operate, such as restaurants, boutique hotels and beauty care and service providers. We believe that these segments are highly competitive and primary competitive factors include name recognition, demographic considerations, effectiveness of public relations, quality of service, convenience of location, quality of the property, pricing and range and quality of services and amenities offered. We compete with other restaurants, boutique hotels and beauty care and service providers on a local level, as well as on a global level against certain larger chains with properties in the markets in which we operate. If we

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Strategic report
for the period ended 1 January 2017 (continued)

Principal risks and uncertainties (continued)

are unable to compete effectively, we could lose market share, which could adversely affect our business and operations.

Labour shortages or increases in labour costs could slow our growth or harm our business.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of highly qualified employees necessary to continue our operations and keep pace with our growth. Qualified individuals that we need to fill these positions are in short supply and competition for these employees is intense. If we are unable to recruit and retain sufficient qualified individuals, our business and our growth could be adversely affected. Competition for qualified employees could require us to pay higher wages, which could result in higher labour costs. If our labour costs increase, our results of operations will be negatively affected.

Soho House & Co has debt, and may incur additional indebtedness, which may negatively affect our business and financial results.

Soho House & Co debt could negatively affect our business and operations in several ways, including:

- requiring us to use a substantial portion of our funds from operations to make required payments on principal and interest, which would reduce funds available for operations and capital expenditures, working capital, acquisitions, joint ventures, future business opportunities and other purposes; and
- making us more vulnerable to, and decreasing our flexibility to respond to, economic and industry downturns.

If we increase our leverage, the resulting increase in debt service could adversely affect our ability to make payments on our indebtedness and harm our business and operations.

We are exposed to currency fluctuation risks in several different countries that could adversely affect our profitability.

Our results of operations may be affected by transaction effects and translation effects of foreign currency exchange rate fluctuations. We are exposed to transaction effects when one of our subsidiaries incurs costs or generates sales in a currency different from its functional currency. Fluctuations in exchange rates may also affect the relative competitive position of our production facilities, as well as our ability to market our products successfully in other markets. We are exposed to currency fluctuations when we convert currencies that we may receive for our products, services and membership fees, into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Certain of our sales are invoiced in currencies other than Pounds sterling, namely euros and Turkish lira, among others, while our consolidated sales are reported in Pounds sterling. If the value of the Pound sterling declines against currencies in which our obligations are denominated or increases against currencies in which our sales are denominated, our results of operations and financial condition could be adversely affected.

Financial risk management objectives and policies

The group uses various financial instruments which include cash, trade debtors, bank loans, 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 foreign exchange risk, 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. These policies have remained unchanged from previous periods.

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Strategic report
for the period ended 1 January 2017 (*continued*)

Principal risks and uncertainties (*continued*)

i. Foreign exchange risk

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

ii. Liquidity risk

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

iii. Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate deposits, bank loans and overdrafts.

iv. Credit risk

Receivables 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 suppliers is to pay them within the credit terms specified, provided that the supplier is also complying with all relevant terms and conditions.

Employment of disabled persons

The Group is committed to a policy of recruitment, promotion and training on the basis of aptitude and ability without discrimination of any kind. The management facilitates both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and re-training of employees who become disabled whilst employed by the company. Attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

Employee involvement

The flow of information to staff will be maintained via our internal intranet. Members of staff are able to communicate with the management team on a regular basis to discuss matters of current interest and concern to the business.

On behalf of the board



P McPhee

Director

29 September 2017

SHG Acquisition (UK) Limited

Report of the directors for the period ended 1 January 2017

The directors present their report together with the audited financial statements for the period ended 1 January 2017.

Results and dividends

The consolidated statement of comprehensive income is set out on page 16 and shows the loss for the period. The directors do not recommend any dividend be paid (3 January 2016 - £Nil).

Directors

The directors of the company during the period were:

R A Caring
L Copperthwaite (resigned 4 January 2016)
N K A Jones
G J Williams (resigned 17 January 2017)
P McPhee (appointed 18 January 2017)

Directors' responsibilities

The directors are responsible for preparing the strategic report, 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), including Financial Reporting Standard 102 'The Financial Reporting Standard in the UK and Republic of Ireland'. 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 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have included information in relation to financial risk management objectives and policies, information on exposure to certain risks, post balance sheet events, future developments in the business, policies regarding the employment of disabled persons and descriptions of employee involvement policies in the strategic report on pages 2 to 11.

SHG Acquisition (UK) Limited

**Report of the directors
for the period ended 1 January 2017 (*continued*)**

Auditor

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

A handwritten signature in black ink, appearing to read 'P McPhee', with a long, sweeping horizontal stroke extending to the right.

P McPhee

Director

29 September 2017

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 week period ended 1 January 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRS's website at www.frc.org.uk/auditscopeukprivate.

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 1 January 2017 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and directors' report have been prepared in accordance with applicable legal requirements.

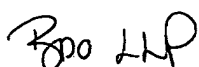
SHG Acquisition (UK) Limited
Independent auditor's report (*continued*)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



Iain Henderson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date *29 September 2017*

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

SHG Acquisition (UK) Limited

**Consolidated statement of comprehensive income
for the period ended 1 January 2017**

		52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
	Note		
Turnover	4	175,211	195,217
Cost of sales		(45,459)	(85,224)
Gross profit		129,752	109,993
Administrative expenses		(140,051)	(122,414)
Loss on disposal of fixed assets		(95)	-
Profit on disposal of subsidiary undertaking	3	-	13,805
Adjusted EBITDA*		15,298	14,901
Depreciation and amortisation	5	(19,279)	(15,639)
New site development costs	2	(2,072)	(9,670)
Share of joint venture Adjusted EBITDA	2	(757)	(1,049)
Foreign exchange	5	(1,664)	(309)
Other exceptional items	2	(1,825)	(655)
Loss on disposal of fixed assets		(95)	-
Profit on disposal of subsidiary undertaking	3	-	13,805
Group operating (loss) / profit	5	(10,394)	1,384
Share of loss on joint venture	13	(3,206)	(31)
(Loss) / profit on ordinary activities before interest and other income		(13,600)	1,353
Other interest receivable and similar income		640	1
Interest payable	8	(22,267)	(13,839)
Loss on ordinary activities before taxation		(35,227)	(12,485)
Taxation credit on loss on ordinary activities	9	745	1,356
Loss for the financial period		(34,482)	(11,129)

* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, foreign exchange, new site development costs, profit on disposal of fixed assets and subsidiary undertakings and other exceptional items and including share of joint venture Adjusted EBITDA.

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited

**Consolidated statement of comprehensive income
for the period ended 1 January 2017**

	Note	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Loss for the financial period		(34,482)	(11,129)
Exchange differences of foreign currency net investments		599	(629)
Other comprehensive income / (loss) for the period		599	(11,758)
Total comprehensive loss for period		(33,883)	(11,758)

All amounts relate to continuing activities.

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited
Consolidated statement of financial position
at 1 January 2017

Company number 6395943	Note	1 January 2017 £'000	1 January 2017 £'000	3 January 2016 £'000	3 January 2016 £'000
Fixed assets					
Intangible assets	11		39,261		41,475
Tangible assets	12		142,414		141,301
Investments in joint ventures	13		4,067		9,534
Loans to joint ventures	13		8,486		6,711
			<hr/>		<hr/>
			194,228		199,021
Current assets					
Stocks	14	7,583		8,215	
Debtors:					
- due within one year	15	40,381		36,678	
- due after more than one year	15	9,303		3,753	
		<hr/>		<hr/>	
Total debtors		49,684		40,431	
Cash at bank and in hand	16	15,772		1,245	
		<hr/>		<hr/>	
		73,039		49,891	
Creditors: amounts falling due within one year	17	(124,605)		(99,129)	
		<hr/>		<hr/>	
Net current liabilities			(51,566)		(49,238)
Total assets less current liabilities			<hr/>		<hr/>
			142,662		149,783
			<hr/>		<hr/>

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited
Consolidated statement of financial position
at 1 January 2017 (continued)

	Note	1 January 2017 £'000	1 January 2017 £'000	3 January 2016 £'000	3 January 2016 £'000
Creditors: amounts falling due after more than one year	18		212,767		186,005
Capital and reserves					
Called up share capital	21	-		-	
Share premium account		40,619		40,619	
Capital contributions		4,684		4,684	
Profit and loss account		(115,408)		(81,525)	
Equity attributable to owners of the parent company			(70,105)		(36,222)
			142,662		149,783

The financial statements were approved by the board of directors and authorised for issue on 29 September 2017



P McPhee
Director

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited
Company statement of financial position
at 1 January 2017

Company number 109634	Note	1 January 2017 £'000	1 January 2017 £'000	3 January 2016 £'000	3 January 2016 £'000
Fixed assets					
Fixed asset investments	13		101,321		101,321
Current assets					
Debtors:					
- due within one year	15	82,462		66,757	
- due after more than one year	15	56		56	
Total debtors		82,518		66,813	
Creditors: amounts falling due within one year	17	(57,740)		(52,682)	
Net current assets			24,778		14,131
Total assets less current liabilities			126,099		115,452
Creditors: amounts falling due after more than one year	18		155,589		127,925
Capital and reserves					
Called up share capital	21	-		-	
Share premium account		40,619		40,619	
Capital contributions		4,684		4,684	
Profit and loss account		(74,793)		(57,776)	
Equity attributable to owners of the parent company			(29,490)		(12,473)
			126,099		115,452

The loss for the year of the company was £17,017,000 (3 January 2016 – Loss - £12,164,000)

The financial statements were approved by the board of directors and authorised for issue on 29 September 2017



P McPhee
Director

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited
Consolidated statement of changes in equity
for the period ended 1 January 2017

	Share capital	Share premium	Capital contributions	Profit and loss account	Total deficit
	£'000	£'000	£'000	£'000	£'000
At 29 December 2014 (as restated)	-	40,619	4,684	(69,767)	(24,464)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(11,129)	(11,129)
Other comprehensive income for the period:					
Exchange differences on foreign currency net investments	-	-	-	(629)	(629)
Total comprehensive loss for the period	-	-	-	(11,758)	(11,758)
At 3 January 2016	-	40,619	4,684	(81,525)	(36,222)
At 4 January 2016	-	40,619	4,684	(81,525)	(36,222)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(34,482)	(34,482)
Other comprehensive income for the period:					
Exchange differences on foreign currency net investments	-	-	-	599	599
Total comprehensive loss for the period	-	-	-	(33,883)	(33,883)
At 1 January 2017	-	40,619	4,684	(115,408)	(70,105)

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited
Company statement of changes in equity
for the period ended 1 January 2017

	Share capital	Share premium	Capital contributions	Profit and loss account	Total deficit
	£'000	£'000	£'000	£'000	£'000
At 29 December 2014	-	40,619	4,684	(45,612)	(309)
Comprehensive loss for the period					
Loss for the period	-	-	-	(12,164)	(12,164)
Total comprehensive loss for the period	-	-	-	(12,164)	(12,164)
At 3 January 2016	-	40,619	4,684	(57,776)	(12,473)
At 4 January 2016	-	40,619	4,684	(57,776)	(12,473)
Comprehensive loss for the period					
Loss for the period	-	-	-	(17,017)	(17,017)
Total comprehensive loss for the period	-	-	-	(17,017)	(17,017)
At 1 January 2017	-	40,619	4,684	(74,793)	(29,490)

The notes on pages 23 to 53 form part of these financial statements.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017

1 Accounting policies

General information

SHG Acquisition (UK) Limited is a private company incorporated in the United Kingdom under the Companies Act 2006. The Registered Office is 72-74 Dean Street, London, W1D 3SG.

SHG Acquisition (UK) Limited and its subsidiaries (the "Group") operates exclusive, private members clubs ("Houses") as well as hotels, restaurants and spas across major metropolitan cities including London, Toronto, Berlin, Barcelona and Istanbul. The principal activity of the company was an investment holding company. The Strategic Report sets out a detailed review of the group's business activities.

Statement of compliance

The group financial statements of SHG Acquisition (UK) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 26. No transitional adjustments were required in equity or profit or loss for the period. These financial statements are the first financial statements prepared under FRS 102.

Change in accounting policy

The Group has changed its accounting policy in respect of stock. Managements now makes an estimate for the PAR level of stock required to service each site. Estimates are based on covers and industry standards to determine the quantities for each item required to maintain the site at a steady operating level. The change had the effect of reducing retained profit and net assets by £77,000 (see Note 26). In addition non-interest bearing long term intercompany loans have been reclassified to current loans with no impact on retained loss or net assets.

The Group has also reassessed its methodology in respect of techniques used in measuring and recognising certain accruals and work in progress related to construction accounting. The change had the effect of reducing retained earnings by £689,000 (see Note 26).

a) Basis of Preparation

These consolidated and separate financial statements of the parent company are prepared on a going concern basis, under the historical cost convention and are in accordance with the applicable accounting standards.

b) 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 Strategic Report on pages 2 to 11. The financial position of the group, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report on pages 2 to 11.

In assessing the going concern basis of preparation of the consolidated financial statements for the period ended 1 January 2017, the directors have taken into consideration detailed cash flow forecasts for the Group, and the Group's forecast compliance with bank covenants and the continued availability of funding to the Group from banks and shareholders.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

The directors consider that the Group has sufficient financial resources together with an established and cash generative business model, and access to borrowing facilities. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

Based on this assessment 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 period ended 1 January 2017.

c) Parent company disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- (iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7 as included in totals for the group.
- (iv) Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical.

The group has taken advantage of the exemption not to prepare a cashflow statement as this information is included in the consolidated financial statements of Soho House & Co Limited (parent company) as at 1 January 2017 and these financial statements may be obtained from Companies House.

d) Basis of consolidation

The group financial statements consolidate the financial statements of SHG Acquisition (UK) Limited and all its subsidiary undertakings as at 1 January 2017 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date control is obtained.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

e) Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates all due from the Group and value added taxes.

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the customer; (b) the Group retains no continuing involvement or control over the goods or services; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's revenue streams have been met, as described below.

The group's revenues are derived from food and beverage and related services provided to customers, membership income, sale of hotel rooms and related services provided to hotel customers, sale and distribution of home retail and beauty products and construction and project management services and sponsorship income.

Food and beverage

These revenues are recorded net of value added tax collected from customers and are recognised as the related services are delivered.

Hotel rooms

Hotel revenue is recognised when the rooms are occupied and the services are performed. Deferred revenue consisting of deposits paid in advance is recognised as revenue when the customer occupies the room.

Membership income

Membership income is paid in advance and is deferred and recognised on a monthly basis over the membership period. Joining fees relate to administration fees and therefore are recognised as revenue on commencement of membership.

Sale of home retail and beauty products and services

Retail stores record revenue at the point of sale. This revenue is recorded net of value added tax. Sales made online include shipping revenue and are recognised upon delivery to the customer. Sales of gift vouchers are treated as future liabilities, and revenue is recognised when the gift vouchers are redeemed against a later transaction.

Construction and project management

Profit on construction contracts is recognised by reference to the stage of completion, once the final outcome can be assessed with reasonable certainty. Full provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Sponsorship income

Sponsorship income is recognised when the event being sponsored takes place.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

f) Long term contracts

Contract work in progress is valued at total cost incurred plus attributable profits less foreseeable losses and applicable payments on account. Reliable estimation of the outcome requires reliable estimates of the stage of completion, future costs and collectability of billings. The group determines the stage of completion of a transaction or contract using the method that measures most reliably the work performed. Profit on long term contracts is taken as the work is carried out once the final outcome of the project can be assessed with reasonable certainty. Provision is made for losses on contracts in the year in which they are foreseen.

Progress payments and advances received from customers often do not reflect the work performed. Total cost includes direct cost and allocated overheads. The resultant balance on individual contracts i.e gross amount due from customers for contract work, as an asset is included under debtors as "amounts recoverable on contracts", and the gross amount due to customers for contract work, as a liability is included under creditors as "payments received on account" or "accruals for foreseeable losses".

g) Business combination and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Goodwill arising on an 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 income statement 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.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are no longer permitted under FRS 102 and the hierarchy for reversing impairment charges has been removed under FRS 102.

h) Intangible assets other than goodwill

Trademarks are initially recognised in the statement of financial position at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives which is 4 to 10 years.

Software development costs comprise computer software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits are recognised as intangible assets. Direct costs include third party costs, software development employee costs and directly attributable overheads.

Software integral to a related item of hardware equipment is accounted for as property, plant and equipment.

Costs associated with maintaining computer software programs are recognised as an expense when they are incurred.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

h) Intangible assets other than goodwill (continued)

Internally developed software and website development costs are recognised only if all of the following conditions are met:

- * an asset is created that can be separately identified;
- * it is probable that the asset created will generate future economic benefits; and
- * the development cost of the asset can be measured reliably.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the date the software is available for use.

The assets are reviewed for impairment if there indicators that the carrying amount may be impaired.

i) Tangible fixed assets and depreciation

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost of all tangible fixed assets by equal instalments over their expected useful lives. It is calculated at the following rates:

Freehold property	-	between 50-100 years
Capitalised property lease	-	over period of lease on straight line basis
Short leasehold land and buildings	-	over period of lease on straight line basis
Motor vehicles	-	4 years straight line
Furniture and equipment	-	4-5 years straight line
Office equipment	-	2-4 years straight line

Assets under construction are stated at cost with no provision for depreciation until the asset comes into use.

j) Investments - Company

Investment in a subsidiary company is stated at cost less accumulated impairment losses.

k) Joint ventures

A joint venture is a contractual arrangement in which two or more parties (the venturers) undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity; it exists only where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. Joint ventures can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities.

In its consolidated financial statements, the Group accounts for a jointly controlled entity by using the equity method of accounting. Under the equity method of accounting, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the Group's share of the profit or loss, other comprehensive income and equity of the jointly controlled entity as well as any impairment.

The Group, on acquisition of the investment, accounts for the difference between the cost of the acquisition and its share of fair value of the net identifiable assets as goodwill, which is included in the carrying amount of the investment (as part of the transaction price).

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

k) Joint ventures (continued)

The Group's share of the jointly controlled entity's profit or loss and other comprehensive income are presented in the income statement. Distributions received from the jointly controlled entity reduce the carrying amount of the investment.

In a situation of losses in excess of the investment, after the Group's interest is reduced to zero, additional losses are provided for to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the jointly controlled entity.

If there is an indication that an investment in a jointly controlled entity is impaired, the entire carrying amount is tested for impairment as a single asset. Any goodwill included as part of the carrying amount is not tested separately. The premium on acquisition is dealt with under the goodwill policy.

A Group discontinues the use of the equity method when it ceases to have joint control. Where a jointly controlled entity is disposed of, the gain/loss is the difference between the proceeds less the carrying amount relating to the proportion disposed of. In addition, the gain or loss includes amounts recognised in other comprehensive income in relation to the jointly controlled entity that are required to be reclassified to profit or loss on disposal under other sections of FRS 102. Under FRS 102, a part of a jointly controlled entity can be disposed of. The retained investment's carrying amount at the date when it ceases to be a jointly controlled entity is regarded as its cost on initial measurement as a financial asset.

Where loans to joint ventures form part of the long-term funding for the joint venture, the loan is included within the carrying value of the joint venture in fixed asset investments, but separately disclosed.

l) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

m) Stocks

Crockery, glassware and service stock is valued at a par level representing the minimum amount of inventory needed to maintain operations with that amount recorded at its acquisition cost. All subsequent purchases are expensed as incurred. All other stock is stated at the lower of cost and selling price less costs to complete and sell.

Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

n) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

o) Leased assets

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. The charge to the income statement includes non-cash rent expense arising from the recognition of stepped rent, on a straight line basis over the lease term

Reverse premiums and similar incentives received to enter into operating lease agreements are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (28 December 2014) and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

o) Leased assets (continued)

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

p) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. Contributions to the group's defined contribution pension scheme are charged to the income statement in the period in which they become payable. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

q) 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.

r) Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities. These items, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Details of these items are provided in the relevant notes.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

s) Foreign currency

Functional and presentation currency

The Group financial statements are presented in pound sterling and rounded to thousands.

The company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions within the underlying individual subsidiaries are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Any differences are taken to the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating (losses)/gains'.

Translation

The results arising on consolidation of overseas operations are translated at the average rates of exchange during the year and the statement of financial position translated into sterling at the rates of exchange ruling on the reporting date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to other comprehensive income.

t) Reserves

Voluntary shareholder capital contributions and imputed interest on shareholder loans to the company are not credited to the company's income statement, but are credited to a special reserve ("Capital Contribution Reserve").

Income statement includes all current and prior period retained profits and losses

Preference shares – have been classified as equity on the basis the redemption of the financial instrument (including accrued interest) is only on a sale or exit of the business by existing shareholders or at the discretion of the company.

u) Financial Instruments

The group has chosen to adopt the provisions sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

u) Financial Instruments (continued)

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from shareholders and related group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

The group does not hold or issue derivative financial instruments for trading purposes.

v) New site development costs

New site development costs include costs associated with the acquisition, opening, conversion and initial set up of new and converted sites including rent, overhead expenses, pre-opening marketing and incremental wages to support the "ramp-up" period of time to support the site in the initial period following opening. These are expensed as incurred.

w) Gains and losses on disposal of fixed assets

The profit or loss on the disposal of a tangible fixed asset is accounted for in the income statement of the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

Critical accounting judgements and estimates

In the process of applying the Group's accounting policies as described above, management has made a number of judgements and estimations of which the following are the most significant:

Impairment of property, plant and equipment

The Group formally determines whether property, plant and equipment are impaired by considering indicators of impairment annually. This requires the Group to determine the lowest level of assets which generate largely independent cash flows (cash generating units or CGU) and to estimate the value in use of these assets or CGUs; and compare these to their carrying value. Cash generating units are deemed to be individual units or a cluster of units depending on the nature of the trading environment in which they operate. Calculating the value in use requires the Group to make an estimate of the future cash flows of each CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Lease classification

The Group has a number of leases and therefore their classification as either finance or operating leases is critical to the financial statements. The accounting for leases involves the exercise of judgement, particularly whether the leases meet the definition of an operating or a finance lease.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Joint ventures

The Group's joint venture investments are accounted for using the equity method of accounting. Based on the regulations in the shareholders' agreements the Group assesses the level of control it has over the joint venture entity.

The Group specifically assesses whether:

- it is a party to an arrangement in which two or more parties have joint control; or
- the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

The shareholders' agreements typically specify that a number of important decisions need to be resolved by the shareholders. These important decisions are referred to as reserved matters. The shareholders' agreements often require a qualified majority of investors and, in certain cases, an unanimous vote of the investors for decisions regarding reserved matters. The reserved matters include fundamental decisions about the relevant entities, its operative and strategic plans and important transactions that exceed certain thresholds.

Whether or not the Group controls a joint venture company depends on an evaluation of a number of factors, including, among others, representation on its board of directors, deadlock resolution process where the shareholders cannot reach agreement on specific matters, voting rights and other rights of other investors, including their participation in significant decisions made in the ordinary course of business (e.g. approval of the annual operating budget), as well as the Group's ownership level of the outstanding voting rights of the company.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

1 Accounting policies (*continued*)

Revenue recognition on construction contracts

The timing of revenue recognition on long-term contracts depends on the assessed stage of completion of the project at the reporting date. This assessment requires the expected total contract revenues and costs to be estimated based on the current progress of the contract.

Impairment of goodwill and intangible assets

Goodwill and intangible assets are initially recorded at acquisition cost and are amortised on a straight-line basis over their useful economic life. Goodwill that is acquired through a business combination is initially recorded at fair value at the date of acquisition and allocated between foreign operations in the appropriate country's currency.

2 Other exceptional items

The group incurred the following non-recurring other exceptional costs during the year:

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Legal and settlement costs relating to employment matters	-	498
Aborted project costs	647	13
Severance and contract termination costs	575	-
Site closure costs	543	-
Other exceptional costs	60	144
	<hr/>	<hr/>
	1,825	655
	<hr/>	<hr/>

In line with the group's strategy for roll out of new sites and concepts, costs are incurred in respect of potential opportunities which subsequently do not meet our evaluation criteria or do not proceed to completion. The aborted project costs are expensed in the income statement.

Severance and contract termination costs relate to employee severance and termination costs.

Site closure costs relate to the closure of Soho House Greek Street, Café Bohème and SKB for a complete refurbishment and to re-open in early 2018.

In addition to the above, the group has incurred certain non-recurring costs in relation to the opening and development of new sites of £2,072,000. (3 January 2016 - £9,670,000)

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

2 Other exceptional items

Share of joint venture Adjusted EBITDA is calculated as the Group's portion of its Joint Ventures' Adjusted EBITDA, noting this amount is also included within "Share of profit on Joint Venture".

3 Profit on disposal of subsidiary undertakings

On 20 March 2015, the Group sold a 50% stake in the Pizza East, Chicken Shop and Dirty Burger casual dining restaurant brands to a private investor. The sale agreement relates to the three existing brands in all territories, excluding the Americas. The group made a profit on disposal of £13,805,000 (net of transaction costs). The profit on disposal is not subject to tax due to exemptions available to the Group.

4 Segmental analysis

Core turnover comprises revenue from leisure operations of £143,051,000 (2015 - £125,272,000), revenues relating to Home and Retail of £13,053,000 (2015 - £11,936,000) resulting in total core turnover of £156,104,000 (2015 - £137,208,000).

	Turnover		Adjusted EBITDA	
	52 weeks ended	53 weeks ended	52 weeks ended	53 weeks ended
	1 January 2017	3 January 2016	1 January 2017	3 January 2016
	£'000	£'000	£'000	£'000
Analysis by geographical market:				
United Kingdom	133,426	119,764	13,378	13,655
North America	648	490	181	86
Europe	22,030	16,954	1,674	1,521
	<hr/>	<hr/>	<hr/>	<hr/>
Core ⁽¹⁾	156,104	137,208	15,233	15,262
Non-Core	19,107	58,009	65	(361)
	<hr/>	<hr/>	<hr/>	<hr/>
	175,211	195,217	15,298	14,901
	<hr/>	<hr/>	<hr/>	<hr/>

⁽¹⁾ In measuring and monitoring our operating results, management manages core operations separate from its non-core operations of In House Design and Build, as management considers that these businesses have different revenue and margin profiles from our core hospitality business which make up our core operations.

In the opinion of the directors turnover by origin is not materially different from turnover by destination.

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (continued)**

5 Operating (loss) / profit

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	15,511	12,308
Amortisation of goodwill	3,159	3,159
Amortisation of other intangible fixed assets	609	172
Hire of other assets - operating leases	16,502	15,655
Fees payable to the company's auditor for the auditing of the company's annual accounts	10	10
Fees payable to the company's auditor or an associate of the company's auditor for other services:		
- the audit of the company's subsidiaries	230	205
- taxation compliance services	95	212
- other assurance related services	-	-
Exchange differences	1,664	309
	<hr/>	<hr/>

In the current and prior period, auditors' remuneration was borne by Soho House UK Limited, a subsidiary of the Group. Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

6 Employees

Staff costs (including directors and capitalised wages) consist of:

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Wages and salaries	61,182	51,838
Social security costs	5,645	4,320
Other pension costs	591	596
	<hr/>	<hr/>
	67,418	56,754
	<hr/>	<hr/>

The average number of employees (including directors) during the period was as follows:

	52 weeks ended 1 January 2017 Number	53 weeks ended 3 January 2016 Number
Administration	267	279
Operations	2,246	2,183
	<hr/>	<hr/>
	2,513	2,462
	<hr/>	<hr/>

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (continued)**

7 Directors' remuneration

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Directors' emoluments	1,292	1,297
Company contributions to money purchase pension scheme	75	118
Compensation for loss of office	258	-
	<hr/>	<hr/>

The total amount payable to the highest paid director in respect of emoluments was £1,039,000 (3 January 2016 - £1,039,000). Group pension contributions of £50,000 (3 January 2016 - £93,000) were made to a money purchase pension scheme on their behalf.

The above remuneration relates to 2 directors (3 January 2016 - 2 directors) who are remunerated by the group.

During the period two directors participated in money purchase pension schemes.

The remuneration of key management is shown below. Key management personnel consist of chief operating and financial decision makers in the business.

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Key management emoluments	2,392	1,623
Company contributions to money purchase pension scheme	76	119
	<hr/>	<hr/>

No directors' emoluments were paid through the company in the current or prior period.

8 Interest payable

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Bank loans and overdrafts	1,191	937
Loans from parent companies	16,815	11,993
Amortisation of loan arrangement and non-utilisation fees	402	262
Finance lease interest	162	53
Capitalised property lease – financing interest	3,677	594
Other loan interest	20	-
	<hr/>	<hr/>
	22,267	13,839
	<hr/>	<hr/>

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (*continued*)**

9 Taxation on loss on ordinary activities

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
<i>Corporation tax</i>		
Current tax on profits of the period	53	-
Share of joint venture – current tax	-	36
	<hr/>	<hr/>
Current tax	53	36
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(1,587)	(1,427)
Adjustment in respect of prior years	789	(34)
Share of joint venture – deferred tax	-	69
	<hr/>	<hr/>
Movement in deferred tax provision (Note 15)	(798)	(1,392)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	(745)	(1,356)
	<hr/>	<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	52 weeks ended 1 January 2017 £'000	53 weeks ended 3 January 2016 £'000
Loss on ordinary activities before tax	(35,227)	(12,485)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 20% (3 January 2016 – 20.25%)	(7,045)	(2,528)
	<hr/>	<hr/>
Effect of:		
Items not deductible for tax purposes	2,216	1,452
Profit on disposal of subsidiaries not subject to tax	-	(2,796)
Other temporary differences	(10)	-
Unutilised tax losses	3,286	2,481
Deferred tax - Adjustment in respect of prior years	789	(34)
Share of joint venture deferred tax - adjustment in respect of prior years	19	69
	<hr/>	<hr/>
Total tax charge for the period	(745)	(1,356)
	<hr/>	<hr/>

There are tax losses of £32,691,000 (3 January 2016 - £18,465,000) in the UK group which have not been recognised as they are not available for future group relief and there is insufficient evidence that these losses would be recovered. In addition there are losses in Germany which have not been fully quantified to date.

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (*continued*)**

10 Parent company result for the financial period

The company has taken advantage of the exemption under s408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

11 Intangible fixed assets

Group	Trademarks	Website and software development costs	Goodwill	Total
	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>				
At 4 January 2016	2,146	1,699	63,329	67,174
Additions	1,626	1	-	1,627
Disposals	(73)	-	-	(73)
Foreign exchange	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2017	3,699	1,700	63,329	68,728
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 4 January 2016	601	-	25,098	25,699
Provided for the period	609	-	3,159	3,768
Foreign exchange	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2017	1,210	-	28,257	29,467
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 1 January 2017	2,489	1,700	35,072	39,261
	<hr/>	<hr/>	<hr/>	<hr/>
At 3 January 2016	1,545	1,699	38,231	41,475
	<hr/>	<hr/>	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 1 January 2017 (continued)

12 Tangible fixed assets								
Group	Capitalised property lease	Freehold land and buildings	Leasehold land and buildings	Motor vehicles	Fixtures and fittings	Office equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>								
At 4 January 2016	53,864	22,806	44,022	1,082	55,996	11,594	1,079	190,443
Additions	973	-	4,544	136	4,554	989	4,551	15,747
Disposals	-	-	(4,882)	-	(11,571)	(2,905)	-	(19,358)
Exchange adjustments	-	-	890	-	1,834	160	-	2,884
At 1 January 2017	54,837	22,806	44,574	1,218	50,813	9,838	5,630	189,716
<i>Depreciation</i>								
At 4 January 2016	174	1,511	12,865	204	28,652	5,736	-	49,142
Provision for the period	1,072	302	3,423	272	8,252	2,190	-	15,511
Disposals	-	-	(4,796)	-	(11,564)	(2,905)	-	(19,265)
Exchange adjustments	-	-	287	-	1,507	120	-	1,914
At 1 January 2017	1,246	1,813	11,779	476	26,847	5,141	-	47,302
<i>Net book value</i>								
At 1 January 2017	53,591	20,993	32,795	742	23,966	4,697	5,630	142,414
At 3 January 2016	53,690	21,295	31,157	878	27,344	5,858	1,079	141,301

The net book value of assets held under finance lease is £2,652,000 (3 January 2016 - £3,225,000). The depreciation charge for assets held under finance leases is £725,000 (3 January 2016 - £276,000). In addition, management have disclosed a property lease treated as a finance lease in accordance with FRS 102 as "Capitalised property lease".

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (continued)**

13 Fixed asset investments

Group	Loans to joint ventures £'000	Investment in joint ventures £'000
<i>Cost or valuation</i>		
At 4 January 2016	6,711	9,534
Share of loss for the period	-	(3,206)
Exchange adjustments	-	(264)
Additions	-	2,093
Loans to joint ventures	1,775	-
Conversion of investment to loan	-	(4,090)
	<hr/>	<hr/>
At 1 January 2017	8,486	4,067
	<hr/>	<hr/>

Joint ventures

Joint ventures listed on page 43 are private companies and there is no quoted market price available for their shares.

Company	Shares in subsidiary undertakings £'000	Capital contributions £'000	Total £'000
<i>Cost or valuation</i>			
At 4 January 2016 and 1 January 2017	96,638	4,683	101,321
	<hr/>	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 *(continued)*

13 Fixed asset investments *(continued)*

Subsidiary undertakings, associated undertakings and other investments

The undertakings in which the company has an interest at the period end is as follows:

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>			
Soho House Limited	England	100%*	Leisure
Soho House UK Limited	England	100%*	Leisure
Soho House Properties Limited	England	100%*	Property investment
Cowshed Products Limited	England	100%*	Cosmetics
NBJ Leisure Limited	England	100%*	Non trading
Soho House Berlin GmbH	Germany	100%*	Leisure
Soho House Toronto Limited	England	100%*	Holding company
Cheeky Nails Limited	England	100%*	Dormant
Soho Works Limited	England	100%*	Co-working
Barber & Parlour Limited	England	100%*	Non-trading
Soho Townhouse Limited	England	100%*	Dormant
Soho House (Management Services) Limited	England	100%*	Dormant
Soho House Toronto ULC	Canada	100%*	Holding company
Cowshed, LLC	USA	100%*	Beauty
Soho House Hong Kong Limited	Jersey	100%*	Holding company
Neville Cut and Shave Limited	England	100%*	Dormant
Soho Home Limited	England	100%*	Retail
In House Design and Build Limited	England	100%*	Construction
Cowshed Istanbul Perakende Pazarlama ve Limited	Turkey	100%*	Holding company
Soho House Istanbul Otelcilik Limited	Turkey	100%*	Holding company
Soho Housemarket Istanbul Perakende Pazarlama ve Limited	Turkey	100%*	Holding company
Cowshed Products Holdings Limited	England	100%*	Holding company
Soho Home Holdings Limited	England	100%*	Holding company
Fish Shop Limited	England	100%*	Dormant
HTN F&B Limited	England	100%*	Dormant
HTN F&B (Amsterdam) B.V.	Netherlands	100%*	Restaurant operator
Soho House Amsterdam B.V.	Netherlands	100%*	Holding company

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

13 Fixed asset investments (*continued*)

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Joint ventures and associated undertakings</i>			
Soho House Toronto Partnership	Canada	50%*	Leisure
Quentin Limited	Jersey	50%	Holding company
Quentin Restaurants HoldCo 1 Limited	Jersey	50%	Holding company
Quentin Restaurants HoldCo 2 Limited	Jersey	50%*	Holding company
Pizza East Limited	England	50%*	Restaurant operator
Chicken Shops Galore Limited	England	50%*	Restaurant operator
Dirty Burger Limited	England	50%*	Restaurant operator
Mollie's Motels Limited	England	50%*	Motel operator
Café Monico Limited	England	50%*	Restaurant operator
House Kitchen Limited	England	50%*	Restaurant operator
Farmshop Bicester Limited	England	50%*	Restaurant operator
Tandoor Kitchen Limited	England	25%*	Dormant
Raycliff Red LLP	England	50%*	Holding company
Raycliff Shoreditch Holdings LLP	England	50%*	Property company
Mimea XXI S.L.	Spain	50%*	Holding company
Mirador Barcel S.L.	Spain	50%*	Property company
Barcel Capital S.L.	Spain	25%*	Restaurant operator
Soho House - SydeLL LLP	UK	50% *	Holding company

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

* Represents indirect shareholding

The principal office of subsidiary and joint venture undertakings is Royalty House, 72-74 Dean Street, London, W1D 3SG.

The principal office of Mirador Barcel S.L. is Plaza del Duque de Medinaceli, 4, 08002 Barcelona, Spain

The principal office of Soho House Berlin GmbH is Torstraße 1, 10119 Berlin, Germany

The principal office of Barcel Capital S.L. is Plaza del Duque de Medinaceli, 2, 08002 Barcelona, Spain

The principal office of Raycliff Red LLP is 44 Southampton Buildings, London, WC2A 1AP

The principal office of HTN F&B Amsterdam BV is Herengracht 255, 1016 BJ Amsterdam, Netherlands

The principal office of Soho House Toronto Partnership is 192 Adelaide St W, Toronto, ON M5H 0A4, Canada

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (*continued*)**

14 Stocks

	Group 1 January 2017 £'000	Group 3 January 2016 £'000	Company 1 January 2017 £'000	Company 3 January 2016 £'000
Finished goods and goods for resale	4,644	5,583	-	-
Consumables	2,939	2,632	-	-
	<hr/> 7,583 <hr/>	<hr/> 8,215 <hr/>	<hr/> - <hr/>	<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 1 January 2017 (continued)**

15 Debtors

	Group 1 January 2017 £'000	Group 3 January 2016 £'000	Company 1 January 2017 £'000	Company 3 January 2016 £'000
Amounts receivable within one year				
Trade debtors	8,639	4,487	-	-
Amounts due from group undertakings	-	-	78,286	62,357
Amounts due from parent undertakings	2,655	4,782	2,037	2,037
Amounts due from related group undertakings	13,604	5,039	1,774	2,013
Amounts due from joint ventures and associated undertakings (Note 23)	2,447	2,697	-	-
Corporation tax recoverable	-	4	-	-
Other debtors	2,330	2,232	365	350
Prepayments and accrued income	6,094	5,313	-	-
Amounts recoverable on contracts	4,612	12,124	-	-
	40,381	36,678	82,462	66,757
Amounts receivable after more than one year				
Amounts due from associated undertakings	4,730	-	-	-
Other debtors	56	56	56	56
Deferred taxation	4,517	3,697	-	-
	9,303	3,753	56	56
Total debtors	49,684	40,431	82,518	66,813
	Group Deferred taxation 1 January 2017 £'000	Group Deferred taxation 3 January 2016 £'000	Company Deferred taxation 1 January 2017 £'000	Company Deferred taxation 3 January 2016 £'000
At the beginning of the period	3,697	2,744	-	-
Credited to income statement (Note 9)	798	1,461	-	-
Disposal of subsidiary undertaking	-	(493)	-	-
Foreign exchange adjustment	22	(15)	-	-
At the end of the period	4,517	3,697	-	-

Other debtors relate to rent deposits. The deferred tax asset relates to depreciation in excess of capital allowances.

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (*continued*)**

16 Cash at bank and in hand

Cash at bank includes restricted cash of £6,200,000 (3 January 2016 - £nil) relating to potential development of certain projects.

17 Creditors: amounts falling due within one year

	Group 1 January 2017 £'000	Group 3 January 2016 £'000	Company 1 January 2017 £'000	Company 3 January 2016 £'000
Bank loans and overdrafts (secured)	20,171	15,504	20,410	15,522
Amounts due to parent undertakings	42,954	36,627	36,623	36,623
Amounts due to related group undertakings	9,029	5,503	475	455
Amounts due to joint ventures and associated undertakings	44	4	-	-
Trade creditors	11,804	16,679	13	-
Taxation and social security	6,311	3,091	-	-
Obligations under finance lease and hire purchase contracts	1,026	1,000	-	-
Capitalised property lease – finance lease (Note 12)	160	132	-	-
Other creditors	7,216	4,403	-	-
Accruals and deferred income	25,890	16,186	219	82
	124,605	99,129	57,740	52,682

18 Creditors: amounts falling due after more than one year

	Group 1 January 2017 £'000	Group 3 January 2016 £'000	Company 1 January 2017 £'000	Company 3 January 2016 £'000
Amounts due to parent undertakings	155,590	127,925	155,589	127,925
Amounts due to related group undertakings - Soho House Finance SARL	3,116	2,717	-	-
Obligations under finance lease and hire purchase contracts	744	1,631	-	-
Capitalised property lease – finance lease (Note 12)	53,317	53,732	-	-
	212,767	186,005	155,589	127,925

During the prior period, the Group entered into a property lease transaction which, in accordance with FRS 102, has been capitalised as a fixed asset and the minimum present value of lease payment has been shown as "Capitalised property lease – finance lease".

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 1 January 2017 (continued)

18 Creditors: amounts falling due after more than one year (continued)

Maturity of debt:

Group	Bank loans and overdrafts 1 January 2017 £'000	Finance leases 1 January 2017 £'000	Capitalised property lease 1 January 2017 £'000	Total 1 January 2017 £'000	Bank loans and overdrafts 3 January 2016 £'000	Finance leases 3 January 2016 £'000	Capitalised property lease 3 January 2016 £'000	Total 3 January 2016 £'000
In one year or less, or on demand	20,171	1,026	160	21,357	15,504	1,000	132	16,636
In more than one year but not more than two years	-	699	171	870	-	1,000	142	1,142
In more than two years but not more than five years	-	45	587	632	-	631	488	1,119
In more than five years	-	-	52,559	52,559	-	-	53,102	53,102
	-	744	53,317	54,061	-	1,631	53,732	55,363

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (*continued*)**

18 Creditors: amounts falling due after more than one year (*continued*)

Bank loans within one year are net of unamortised finance costs of £731,000 (3 January 2016 - £821,000).

On 27 September 2013, the group entered into a £25m floating rate revolving credit facility with Barclays, of which c. £18m relates to SHG Acquisition (UK) Limited and subsidiaries and \$10m relates to the US group. At 1 January 2017, the Group had fully drawn against this facility. The facility is secured on a fixed and floating charge basis over the assets of the group. In February 2016, the RCF was extended by an additional £5m – taking the total facility to £30m.

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (*continued*)**

19 Financial Instruments

The Group's financial instruments may be analysed as follows:

	Group 1 January 2017 £'000	Group 3 January 2016 £'000
Financial assets		
Financial assets measured at amortised cost	62,786	36,783
Financial liabilities		
Financial liabilities measured at amortised cost	319,091	273,616

Financial assets measured at amortised cost comprise trade debtors, construction contract receivables, other debtors, amounts due from joint ventures and associated undertakings, investment interests in joint ventures and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors, accruals and finance lease.

Details relating to interest rates and the currency of the financial liabilities are given below.

The directors have assessed the group's exposure to foreign currency movements. Subsidiary entities' financial instruments are predominantly denominated in their functional currency and therefore the foreign currency exposure to the group has not been deemed material.

Interest rate and currency of financial assets and liabilities

The Group's financial assets represented by cash are all at floating rates of interests. The Group's financial liabilities represented by borrowings are shown above. All other financial assets and liabilities are non-interest bearing.

The risk in respect of financial instruments is discussed in the Strategic Report.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (*continued*)

20 Pensions

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge amounted to £591,000 (3 January 2016 - £596,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

21 Share capital

	1 January 2017 £'000	3 January 2016 £'000
<i>Allotted, called up and fully paid</i>		
3 ordinary shares of £1 each	-	-
	<u> </u>	<u> </u>

Ordinary shareholders are entitled to one vote for each Ordinary Share held. Each Ordinary shareholder is entitled *pari passu* to dividend payments or any other distribution.

22 Commitments under operating leases

The group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings 1 January 2017 £'000	Land and buildings 3 January 2016 £'000
Within one year	12,958	12,102
In two to five years	49,711	47,164
After five years	100,849	109,451
	<u> </u>	<u> </u>
	163,518	168,717
	<u> </u>	<u> </u>

In addition the Group pays turnover related rents in connection with certain leases.

The company had no commitments at the year-end or prior year end.

23 Related party disclosures

The company has taken advantage of the exemption conferred by paragraph 33.1A of FRS 102, 'related party transactions', that transactions with wholly controlled subsidiaries do not need to be disclosed.

Related Party Transactions

An amount of £389,000 (3 January 2016 - £Nil) is due from Soho House Sydell LLP, a company related by common shareholders. The amount due is in relation to costs incurred by the group on their behalf.

During the period Non-Core services totalling £86,000 (3 January 2016 - £11,000) were provided to a member of key management personnel. At 1 January 2017, £33,000 was due to the Group (3 January 2016 - £6,000) from the individual.

SHG Acquisition (UK) Limited

**Notes forming part of the financial statements
for the period ended 1 January 2017 (continued)**

23 Related party disclosures (continued)

The tables below show the balances dues from / (to) joint venture related parties:

Amounts due from joint venture undertakings due within one year

	1 January 2017 £'000	3 January 2016 £'000
Soho House Toronto Partnership	61	-
Quentin Limited and subsidiaries	1,049	2,697
Mirador Barcel S.L.	1,337	-
	<hr/>	<hr/>
	2,447	2,697
	<hr/>	<hr/>

Amounts due to joint venture undertakings due within one year

	1 January 2017 £'000	3 January 2016 £'000
Soho House Toronto Partnership	-	4
Raycliff Red LLP	44	-
	<hr/>	<hr/>
	44	4
	<hr/>	<hr/>

Amounts due from related group undertakings due within one year

	1 January 2017 £'000	3 January 2016 £'000
Soho House New York, LLC	7,447	2,518
Soho House West Hollywood, LLC	715	715
Soho House Beach House, LLC	458	78
Soho House Chicago, LLC	3,059	1,596
Soho-Ludlow, LLC	953	-
L.A. 1000 Santa Fe LLC	13	-
Soho Works, LLC	1	-
Little Beach House Malibu, LLC	823	-
Soho House Finance SARL	135	132
	<hr/>	<hr/>
	13,604	5,039
	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 *(continued)*

23 Related party disclosures *(continued)*

<i>Amounts due to related group undertakings due within one year</i>	1 January 2017 £'000	3 January 2016 £'000
Soho House New York, LLC	7,990	4,866
Soho House New York, Inc	18	15
Soho House West Hollywood, LLC	1,021	622
	9,029	5,503
<i>Amounts due from joint venture undertakings due after more than one year – fixed asset investments</i>	1 January 2017 £'000	3 January 2016 £'000
Soho House Toronto Partnership	623	1,248
Quentin Limited and subsidiaries	4,449	2,049
Raycliff Red LLP	3,414	3,414
	8,486	6,711
<i>Amounts due from joint venture undertakings due after more than one year</i>		
Mirador Barcel S.L.	4,730	-

24 Ultimate parent company and parent undertaking of larger group

At 1 January 2017, the group's ultimate parent company was Soho House & Co Limited, a Jersey registered company. The group's ultimate controlling party was R Burkle through his control of the Yucaipa Group of companies, which have a majority shareholding in Soho House & Co Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Soho House & Co Limited, incorporated in Jersey. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3VZ. No other group accounts include the results of the company.

25 Post balance sheet events

On 25 April 2017, Soho House & Co Limited (the Group's ultimate parent company) announced that it had signed an agreement with Permira Debt Managers ("PDM") to refinance its existing debt and support future growth. The new agreement delivers an immediate reduction in the average cash cost of debt, extends its debt maturity profile and provides additional liquidity for growth. The new private debt solution is also highly flexible and tailored so that the cost of the loan reduces as the company's net debt levels decrease. The key elements are:

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 1 January 2017 (continued)

25 Post balance sheet events (continued)

- A £275 million private senior secured loan with a 5 year maturity from closing at Libor + 7%;
- A further £100 million of available financing to drive further global expansion of the business on the same terms.
- Renewal of its RCF of £30m plus £5m accordion for a period of 4.5 years

As a result of the agreement Soho House Bond Limited redeemed its senior secured debt of £152.5 million at 9.125% ahead of the October 2018 redemption date and retired its £40 million of PIK notes, again before the October 2019 maturity.

On 23 March 2017, Soho House & Co Limited received £13m of funding from shareholders.

26 First time adoption of FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the 53 weeks ended 3 January 2016. The date of transition to FRS 102 was 28 December 2014. Set out below are the changes in accounting policies which reconcile profit for the financial period ended 3 January 2016 and the total equity as at 28 December 2014 and 3 January 2016 between UK GAAP as previously reported and FRS 102.

Group	Note	Equity as at 29 December 2014 £'000	Loss for the period ended 3 January 2016 £'000	Foreign currency translation reserves £'000	Equity as at 3 January 2016 £'000
As previously stated under former UK GAAP		(24,295)	(10,517)	(629)	(35,441)
Prior year adjustment – change in accounting policy	A1	(169)	77	-	(92)
Prior year adjustment - change in accounting policy	A2	-	(689)	-	(689)
As restated under former UK GAAP		(24,464)	(11,129)	(629)	(36,222)
Transitional adjustments		-	-	-	-
As stated in accordance with FRS 102		(24,464)	(11,129)	(629)	(36,222)

Explanation of changes to previously reported profit and equity

A1 and A2: The directors' reviewed their accounting policies:

A1 – The directors have changed their accounting policy in respect of stock. Managements now makes an estimate for the par level of stock required to service each site. Estimates are based on number of rooms, covers and industry standards to determine the quantities for each item required to maintain the site at a steady operating level.

A2 – The directors have reassessed their methodology in respect of techniques used in measuring and recognising certain accruals and work in progress related to certain Non-Core operations.