

SHG Acquisition (UK) Limited

Report and Financial Statements

52 weeks ended

30 December 2018

Company Number 06395943

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SHG Acquisition (UK) Limited

Report and financial statements for the period ended 30 December 2018

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Directors

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Company number

06395943

Auditor

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

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018

The directors present their strategic report together with the audited financial statements for the 52 week period ended 30 December 2018.

Principal activities

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

Soho House is a leading global private membership club which, over our 24 year history, has become a coveted lifestyle brand with significant and proven global growth potential. As the pace of life accelerates and the way people live their lives has changed, Soho House provides a "home away from home" for its members with a place to connect, work, workout, socialise and relax with a community of like-minded individuals. Since the opening of our first club ('House') in the Soho district of London in 1995, we have grown to 23 distinctive Houses across North America, the United Kingdom, Europe and Asia. Today, we are a community of more than 89,000 diverse, creative and loyal individuals paying an annual membership fee to be part of the Soho House community. As part of a Soho House membership, we offer access to our Houses and host thousands of member events worldwide, spanning film, fashion, art, business and music. In addition to membership fees, we generate revenue from food, beverage and accommodation within our Houses and from other complementary goods and services that we create and provide. We strive to make our Houses a significant part of our members' everyday lives, where they feel at home and are able to relax in familiar and comfortable surroundings. Given the enduring value proposition that we provide our members, we have developed an extremely loyal membership base with very high retention rates that have averaged in excess of 95% and a growing wait list currently in excess of 36,000 applicants who have applied since 31 December 2014. We currently operate 23 Houses, 3 townhouses, 18 public restaurants, 15 spas, 2 cinemas and 839 hotel rooms across the global 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 and applications are reviewed by a Committee of members each quarter. 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"). Our membership model is an integral part of our business and has a significant impact on our profitability and financial performance. Member count is the primary driver of membership revenues and is also a critical factor in other revenues as members utilise the hospitality and service offerings that are provided within the Houses. The extent to which we achieve growth in our membership base, retain existing members and periodically increase our membership fee rates will impact our profitability. We have historically enjoyed strong member loyalty, reflected by very high retention rates, which have averaged greater than 95%, and robust demand for our memberships, as evidenced by considerable wait lists for most of our Houses. The year over-year increase in our total number of members is driven by a combination of increases in membership at existing Houses and members from new Houses. Local House Membership fees range from £500 to £1,325, \$1,050 to \$2,100 and €750 to €1,500 annually and Every House Membership fees range from £925 to £1,650, \$1,600 to \$3,200 and €900 to €1,800 annually. As of 30 December 2018, approximately 78% 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 very low attrition. In addition, our extensive global waiting list of over 36,000 potential members enables us to control our growth based upon the usage of Houses.

How We Generate Turnover

In measuring and monitoring our operating results, management manages "core" operations separate from its "non-core" operations being Soho House Design (our business unit which provides the design and, where applicable, build-out of our Houses and other units). 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").

Due to rounding, numbers presented in the Strategic Report may not add up precisely to the totals provided and percentages may not precisely reflect the presented figures as the underlying calculations are referenced from absolute values, whereas numbers presented have been rounded to thousands.

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

How We Generate Turnover *(continued)*

The Group currently operates 16 Houses, 3 townhouses, 13 public restaurants, 12 spas, 2 cinemas and 706 hotel rooms across the UK, Europe and Asia.

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 30 December 2018 was as follows: food and beverage accounted for 47% (31 December 2017 – 47%), membership and registration fee receipts accounted for 20% (31 December 2017 – 20%), accommodations accounted for 15% (31 December 2017 – 15%) and Home, Retail and other sales accounted for 18% (31 December 2017 – 18%).

Turnover

Turnover was £254.2m for the 52 weeks to 30 December 2018, compared to £206.2m for the 52 weeks to 31 December 2017, which represents an increase of £48.1m or 23%.

Our turnover from Core operations was £213.9m for the 52 weeks to 30 December 2018, compared to £166.9m for 52 weeks ended 31 December 2017, which represents an increase of £47.0m or 28%. The increase was driven by a growth in food and beverage revenue of £21.6m, membership and registration fee turnover of £10.7m, accommodation turnover growth of £8.1m and an increase of turnover in Soho Home retail, Cowshed spa, treatments, product sales and other income of £6.5m.

Food and beverage turnover increased primarily due to the opening of Soho House 40 Greek Street, London, White City House, London, Kettner's Townhouse, London, Café Bohème, London and Soho House Amsterdam all during 2018.

Membership fee turnover increased primarily due to three key factors – (i) the opening of Soho House 40 Greek Street, London, White City House, London and Soho House Amsterdam which all opened in 2018 – (ii) an overall increase in paying members from 41,000 members at 31 December 2017 to 52,000 members at 30 December 2018 and (iii) the full year impact of the February 2017 price increase, in which we successfully increased our Every House membership fee by £250 and €300 per annum and Local House membership fee by £125 and €200 per annum. A combination of all three factors contributed to the increase in membership and registration fee income.

Home and Retail turnover has increased by £3.2m since the comparable period primarily due to the continued growth of Soho Home (launched during 2016). 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.

Non-Core turnover primarily increased by £1.1m to £40.4m. During 2018 Soho House Design completed the design and fit out work at 40 Greek Street and White City House on behalf of the developers as well as taking on additional private client projects.

Cost of Sales

Cost of sales was £78.7m for the 52 weeks to 30 December 2018, compared to £66.1m for the 52 weeks ended 31 December 2017, which represents an increase of £12.6m or 19%. The increase in cost of sales is mainly attributable to the increased costs associated with the growth in turnover due to the new sites opened in 2018 and partially attributable to Soho House Design.

Cost of sales for Core operations (excluding Soho House Design) was £40.0m for the 52 weeks to 30 December 2018, compared to £30.0m for the 52 weeks ended 31 December 2017, which represents an increase of £10.0m or 33%. Cost of sales for Core operations as a percentage of Core turnover increased marginally to 18.7% for the 52 weeks ended 30 December 2018 from 18.0% for the 52 weeks ended 31 December 2017.

Cost of sales of non-Core were £38.7m, which related to costs of the services provided by Soho House Design, which is a low margin business. The increase in cost of sales was £2.6m.

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 (continued)

How We Generate Turnover (continued)

Gross Profit

Gross profit was £175.5m for the 52 weeks to 30 December 2018, compared to £140.1m for the 52 weeks ended 31 December 2017, which represents an increase of £35.4m or 25%.

Gross profit for Core operations was £173.8m for the 52 weeks to 30 December 2018, compared to £136.9m for the 52 weeks ended 31 December 2017, which represents an increase of £37.0m or 27%. As a percent of Core turnover, gross margin was 81.3% for the 52 weeks to 30 December 2018 from 82.0% for the 52 weeks ended 31 December 2017.

Administrative Expenses

Administrative expenses were £195.6m for the 52 weeks to 30 December 2018, compared to £150.1m for the 52 weeks ended 31 December 2017, which represents an increase of £45.5m or 30%. The increase in administrative expenses has been driven primarily by increased wages and salaries costs associated with new sites in the period since the equivalent period last year and also a corresponding increase in support personnel numbers and costs with related increase in support salary and related costs.

Adjusted EBITDA

We use this financial measure when planning, monitoring and evaluating our performance. We consider this financial measure to be a useful metric for management and investors to facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures, tax position, depreciation and amortisation and certain other expenses that we believe are not representative of our core business. We use this financial measure as a key operating metric for business planning purposes and in measuring our performance.

The Group adjusted earnings before interest, taxation, depreciation, amortisation, foreign exchange, new site development costs, profit on disposal of fixed assets and joint venture undertakings, non-cash rent, other exceptional items, and including share of joint venture adjusted EBITDA was £18.3m (31 December 2017 - £21.3m) – a reduction on prior period of 14% primarily due to increased support personnel and related costs.

The Group's loss for the financial period was £54.2m (31 December 2017 - £44.2m) which reflects the Group's continued investment in its properties and its members.

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 during the period) range from fine dining to fast casual dining include *Café Bohème*, *High Road House Brasserie*, *Cecconi's*, *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 30 December 2018 were £99.6m with a food and beverage sales mix of 44% and 56%, respectively. For the 52 weeks to 31 December 2017 food and beverage sales were £78.0m with a food and beverage sales mix of 45% and 55%, respectively. This represents a 23% and 31% increase in food and beverage sales respectively on the comparable period last year driven by new openings in the period.

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

How We Generate Turnover *(continued)*

Membership Income

As of 30 December 2018 the Group had over 53,000 members with over 20,000 potential members on our 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 generally 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 and €300 per annum. In addition we increased our Every House registration fees by £100 and €50. Local house membership fees and registration fees increased by smaller amounts. Our membership attrition is less than 5% per annum. We anticipate that the membership base and waiting list will continue to grow as new Houses are opened.

During the prior period we also launched Cities Without Houses, a new type of membership that opens up the Soho House community to people who live in cities where we don't yet have a House.

Membership and registration fee income for the 52 weeks to 30 December 2018 was £43.5m compared to £32.7m for the 52 weeks to 31 December 2017 representing a 33% increase on the comparable period last year.

Accommodations

As of 30 December 2018, we operated 706 rooms across our UK, European and Asian portfolio. Other than Dean Street Townhouse and Kettner's Townhouse, all of our hotels are co-located within our Houses. Our portfolio is comprised of the following: 340 rooms in the U.K, 65 rooms, 20 apartments and 4 "loft" rooms in Berlin, 86 rooms and 1 apartment in Istanbul (management contract), 56 rooms in Barcelona (joint venture), 17 rooms at Little Beach House, Barcelona, 79 rooms in Amsterdam and 38 rooms in Mumbai (management contract). These bedrooms 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 bedrooms that are co-located with our Houses, providing guests with full access to all of the facilities that are available within the House.

We have a relatively 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.

Across our UK and European portfolio, average occupancy was 92% (31 December 2017 – 92%) and the average room rate was £274 (31 December 2017 - £279) during the 52 weeks to 30 December 2018. Total accommodation sales for the 52 weeks to 30 December 2018 were £33.1m compared to £25.0m for the 52 weeks to 31 December 2017 representing a 32% increase on the comparable period last year almost entirely due to new site openings and full year impact of new accommodation in the prior year.

Home, Retail and other

Our *Cowshed* brand consists of 12 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.

Soho House Design

In addition to the above Core operations, we also undertake Non-Core 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.

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

Geographic Business Review

United Kingdom

Opened in 1995, the original Soho House 40 Greek Street, occupies five Georgian townhouses in London's Soho. The House was recently refurbished, opening again to members in January 2018, and now has four floors for eating and drinking, with the Circle Bar, Drawing Room, House Kitchen, event spaces and two rooftop terraces. This was the first Soho House opened when Nick Jones was offered the space above his restaurant Café Bohème. Right in the heart of the film and media industries, our global community of like-minded, creative people was born.

Our fourth House in west London occupies part of the former BBC Television Centre in White City, and has a rooftop pool and terrace, The Allis, gym, screening room and 45 bedrooms. White City House not only gave young creatives of west London a place to meet and collaborate in, but also put the whole area back on the map as a major cultural hub in the city – shifting some of the focus from east London.

Existing sites have performed well in the current year with Adjusted EBITDA growth on the prior driven by the impact of the 2017 membership prices rises and increased new members across existing and recently opened Houses.

Building work was completed in 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 previously added 16 bedrooms in the property on Redchurch Street, London. The rooms are serviced by Shoreditch House. Phase 2 opened in October 2018 and added another 22 rooms plus 85 cover Cecconi's restaurant.

During 2018 Soho House Design completed the design and fit out work at 40 Greek Street and White City House on behalf of the developers as well as taking on additional private client projects.

The Ned opened to critical acclaim in April 2017, in the former Midland Bank building in the heart of the City of London. It opened with nine restaurants, 252 bedrooms, 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 has transformed 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 enjoy access to Ned Club Relax that contains a 20 meter swimming pool, hammam, sauna and steam room. The Group generates revenues from the Ned via a management agreement.

Europe

Overlooking a canal in the city centre, Soho House Amsterdam opened in summer 2018 with a floor of club space, rooftop pool, gym, screening room, library, Cowshed spa, plus 79 bedrooms. The basement has space to park nearly 100 bikes and there's a small workshop for repairs.

Following successful House openings in both Ludlow, New York and Malibu, California in mid-2016, Soho House 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 56-bedroom hotel. Since opening, the membership base has grown in line with our budget expectations.

In summer 2018 we opened Little Beach House, Barcelona, a 30-minute drive south from our first Spanish club. Our Barcelona beachfront property is situated on the bay of Garraf, nearby popular Sitges. Formerly a hotel built in the 1960s, the House has 17 hotel rooms.

As with all businesses in Turkey, Soho House Istanbul (operated under a management agreement) 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 2019 as the economic position in the country stabilise.

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

Geographic Business Review *(continued)*

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 2018 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.

The Group has capitalised tangible fixed assets totalling £47.8m in the period, funded by a combination of landlord financing and own working capital. As the Group reached completion on major construction through its Soho House Design business unit, this has resulted in incremental construction related receivables, work in progress and accruals for costs with an impact on current assets and current liabilities.

In April 2017, Soho House signed an agreement to refinance the majority of its existing debt to support future growth. The key elements were:

- A £275 million private senior secured loan ("Permira Senior Facility") with a five year maturity from closing at LIBOR + 7%; £250 million of this loan was drawn in April 2017 with the additional £25 million being drawn in October 2017. The facility is secured on a fixed and floating charge basis over the assets of Soho House;
- A further £100 million of available financing under the Permira Senior Facility to drive further global expansion of the business on the same terms; and
- Renewal of its revolving credit facility of £30 million plus £5 million accordion for a period of four and a half years. The facility comprises c. £27.1m relating to the Group and \$10m relating to the US Group. At 30 December 2018, the Group had £2.8m remaining to draw against this facility. The facility is secured on a fixed and floating charge basis over the assets of the Soho House.

In January 2018, the Group entered into leases in connection with its Greek Street properties. As part of these leases, the landlord has funded a principal amount of £5m, which represents costs paid directly by the landlord which will be repaid by the Company.

In February 2018 and June 2018, the Company drew an additional £20 million and £25 million, respectively, under the Permira Senior Facility. The Permira Senior Facility is secured on a fixed and floating charge basis over the assets of the Company.

In June 2018, the Group received proceeds of \$6.5m (£5.1m) from the landlord of the Soho House Hong Kong property under a loan agreement.

Taking account of the above and in assessing the going concern basis of preparation of the consolidated financial statements for the period ended 30 December 2018, the directors have taken into consideration detailed cash flow forecasts for the Group, the Group's forecast compliance with bank covenants and the continued availability of funding to the Group from banks and shareholders. 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.

Future developments

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

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 (continued)

Future developments (continued)

Future UK house openings include 180 House, occupying the top two floors at 180 The Strand, London. The remaining floors will be the second Soho Works site in London occupying the remaining eight floors.

Our second House in Asia is situated in the Sheung Wan area of Hong Kong, and will be spread across the top six floors of a newly constructed 28-storey tower and contain everything from club space and a screening room, to a Soho Active gym and Soho Works. Soho House Hong Kong opens mid-September 2019 with Soho Works following at the end of the year.

In addition we have either signed agreements to lease or term sheets for sites in Tel Aviv, Rome, Paris, Brighton, Milan and Lisbon.

The first Soho Works co-working space opened in Shoreditch, London in 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 ahead of prior year and plan in 2017. In September 2017 the Group entered into a joint venture in respect of Soho Works UK sites. As part of the joint venture agreement, the joint venture has £40m of uncommitted funding available to roll out locations in Soho, Strand, White City, Brighton and other sites currently being identified.

Post balance sheet events

In April 2019, the Group completed the acquisition of certain businesses in Greece for cash consideration of approximately €45.2m and funded by a combination of own cash and funding from the Permira facility.. The existing businesses comprise a hotel and a beach club in Mykonos, Greece. The transaction also includes all future projects, including a restaurant currently under construction in Mykonos, to be rolled out with certain selling shareholders. Minority shareholders have retained between 16% and 25% ownership in the existing and future projects business.

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 for our Core business. 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.

	52 weeks ended 30 December 2018	52 weeks ended 31 December 2017
Gross profit margin – Core	81.3%	82.0%
Adjusted EBITDA margin – Core	8.8%	12.5%

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

Impact of Brexit

Following the outcome of the UK referendum to leave the EU, there are a number of uncertainties that continue to exist regarding how the exit will be engineered. Therefore, the extent to which our operations and financial performance are likely to be affected in the longer term will only become clear as more details emerge.

Failure to prepare for the UK's departure from the EU causes disruption to and creates uncertainty around our business including: our ability to recruit; as well as potentially impacting our relationships with suppliers and staff. These disruptions and uncertainties could have an adverse effect on our business, financial results and operations.

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

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

Principal risks and uncertainties *(continued)*

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 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.

We have debt, and we may incur additional indebtedness, which may negatively affect our business and financial results.

Our 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.

SHG Acquisition (UK) Limited

Strategic report for the period ended 30 December 2018 *(continued)*

Principal risks and uncertainties *(continued)*

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, U.S. dollars, Turkish lira and Canadian dollars, 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, trade creditors, loans and other financing 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.

i. Foreign exchange risk

As a result of the significant investment in operations in Europe, the United States of America and Asia, the Group's balance sheet and profit and loss can be significantly affected by movements in the Euro/sterling, USD/sterling and HKD/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 liquidity needs by monitoring scheduled capital expenditure commitments, interest and debt servicing payments as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day and 90 day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified at regular periodic intervals. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the relevant period.

The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

iii. Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate deposits, bank loans and overdrafts. The Group's principal source of financing is its senior secured loan with Permira Debt Managers which has a minimum LIBOR rate.

SHG Acquisition (UK) Limited

Strategic report
for the period ended 30 December 2018 *(continued)*

Financial risk management objectives and policies *(continued)*

iv. Credit risk

Credit risk is the risk of loss from amounts owed by customers and financial counterparties. Credit risk can occur at multiple levels; as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Financial instruments that potentially subject the Group to credit risk consist of cash and cash equivalents and accounts receivable in relation to its non-Core business. While the Group has a concentration of credit risk in relation to certain customers, this risk is mitigated by monthly payments on account and credit checks on customers.

The Group maintains cash and cash equivalents with major financial institutions. The Group's cash and cash equivalents consist of bank deposits held with banks that, at times, exceed government insured limits. The Group limits its credit risk by dealing with counterparties that are considered to be of high credit quality.

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.

Employee involvement

The flow of information to staff is 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

30 April 2019

SHG Acquisition (UK) Limited

Report of the directors for the period ended 30 December 2018

The directors present their report together with the audited financial statements for the period ended 30 December 2018.

Results and dividends

The consolidated statement of comprehensive income is set out on page 18 and shows the loss for the period. The directors do not recommend any dividend be paid (31 December 2017 - £Nil).

Directors

The directors of the company during the period were:

R A Caring
N K A Jones
P McPhee

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.

SHG Acquisition (UK) Limited

Report of the directors for the period ended 30 December 2018 *(continued)*

Auditors

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 Group'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



P McPhee
Director

30 April 2019

SHG Acquisition (UK) Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SHG ACQUISITION (UK) LIMITED

Opinion

We have audited the financial statements of SHG Acquisition (UK) Limited ("the Parent Company") and its subsidiaries ("the Group") for the 52 week period ended 30 December 2018 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 and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 December 2018 and of the Group's and Company's loss for the 52 week 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

SHG Acquisition (UK) Limited

Independent auditor's report (*continued*)

Other information (*continued*)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

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 and Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

SHG Acquisition (UK) Limited

Independent auditor's report (*continued*)

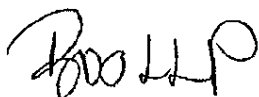
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date 30 April 2019

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

		52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
	Note		
Turnover	4	254,231	206,170
Cost of sales		(78,703)	(66,079)
Gross profit		175,528	140,091
Administrative expenses		(195,592)	(150,145)
Profit / (loss) on disposal of fixed assets		90	(60)
Profit on disposal of joint ventures	3	-	1,470
Adjusted EBITDA*	4	18,316	21,321
Depreciation and amortisation	5	(21,161)	(19,220)
New site development costs	2	(7,691)	(1,698)
Non cash rent	2	(2,716)	(2,423)
Share of joint venture Adjusted EBITDA	2	(3,514)	(2,052)
Foreign exchange	5	(667)	297
Other exceptional items	2	(2,631)	(6,279)
Profit / (loss) on disposal of fixed assets		90	(60)
Profit on disposal of joint ventures	3	-	1,470
Group operating loss	5	(19,974)	(8,644)
Share of loss on joint venture	12	(2,441)	(3,807)
Loss on ordinary activities before interest		(22,415)	(12,451)
Other interest receivable		1,156	262
Interest payable	8	(31,035)	(30,581)
Loss on ordinary activities before taxation		(52,294)	(42,770)
Taxation charge on loss on ordinary activities	9	(1,929)	(1,401)
Loss for the financial period		(54,223)	(44,171)

The notes on pages 24 to 55 form part of these financial statements.

SHG Acquisition (UK) Limited

Consolidated statement of comprehensive income

		52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
	Note		
Loss for the financial period		(54,223)	(44,171)
Exchange differences on foreign currency net investments		(78)	147
Other comprehensive income for the period		(78)	147
Total comprehensive loss for period		(54,301)	(44,024)

All amounts relate to continuing activities.

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

The notes on pages 24 to 55 form part of these financial statements.

SHG Acquisition (UK) Limited

Consolidated statement of financial position

Company number 06395943	Note	30 December 2018 £'000	30 December 2018 £'000	31 December 2017 £'000	31 December 2017 £'000
Fixed assets					
Intangible assets	10		38,981		38,089
Tangible assets	11		178,150		147,081
Investments in joint ventures	12		2,893		3,606
Loans to joint ventures	12		13,588		13,730
			<hr/>		<hr/>
			233,612		202,506
Current assets					
Stocks	13	11,961		8,660	
Debtors:					
- due within one year	14	70,900		52,068	
- due after more than one year	14	3,039		8,587	
		<hr/>		<hr/>	
Total debtors		73,939		60,655	
Cash at bank and in hand	15	30,919		12,623	
		<hr/>		<hr/>	
		116,819		81,938	
Creditors: amounts falling due within one year	16	(181,348)		(143,410)	
		<hr/>		<hr/>	
Net current liabilities			(64,529)		(61,472)
			<hr/>		<hr/>
Total assets less current liabilities			169,083		141,034
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	17		337,513		255,163
Capital and reserves					
Called up share capital	20	-		-	
Share premium account		40,619		40,619	
Capital contributions		4,684		4,684	
Profit and loss account		(213,733)		(159,432)	
		<hr/>		<hr/>	
Equity attributable to owners of the parent company			(168,430)		(114,129)
			<hr/>		<hr/>
			169,083		141,034
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 30 April 2019.



P McPhee
Director

The notes on pages 24 to 55 form part of these financial statements.

SHG Acquisition (UK) Limited

Company statement of financial position

Company number 06395943	Note	30 December 2018 £'000	30 December 2018 £'000	31 December 2017 £'000	31 December 2017 £'000
Fixed assets					
Fixed asset investment	12		101,321		101,321
Current assets					
Debtors:					
- due within one year	14	140,152		100,936	
- due after more than one year	14	56		56	
Total debtors		140,208		100,992	
Cash at bank and in hand		15,242		274	
		155,450		101,266	
Creditors: amounts falling due within one year	16	(64,129)		(61,181)	
Net current assets			91,321		40,085
Total assets less current liabilities			192,642		141,406
Creditors: amounts falling due after more than one year	17		272,480		196,904
Capital and reserves					
Called up share capital	20	-		-	
Share premium account		40,619		40,619	
Capital contributions		4,684		4,684	
Profit and loss account		(125,141)		(100,801)	
Equity attributable to owners of the parent company			(79,838)		(55,498)
			192,642		141,406

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss of the Company for the period was £24,340,000 (31 December 2017 – loss of £26,008,000).

The financial statements were approved by the board of directors and authorised for issue on 30 April 2019.



P McPhee
Director

The notes on pages 24 to 55 form part of these financial statements.

SHG Acquisition (UK) Limited

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Capital contributions £'000	Profit and loss account £'000	Total deficit £'000
At 2 January 2017	-	40,619	4,684	(115,408)	(70,105)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(44,171)	(44,171)
Other comprehensive loss for the period:					
Exchange differences on foreign currency net investments	-	-	-	147	147
Total comprehensive loss for the period					
	-	-	-	(44,024)	(44,024)
At 31 December 2017	-	40,619	4,684	(159,432)	(114,129)
At 1 January 2018	-	40,619	4,684	(159,432)	(114,129)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(54,223)	(54,223)
Other comprehensive loss for the period:					
Exchange differences on foreign currency net investments	-	-	-	(78)	(78)
Total comprehensive loss for the period					
	-	-	-	(54,301)	(54,301)
At 30 December 2018	-	40,619	4,684	(213,733)	(168,430)

The notes on pages 24 to 55 form part of these financial statements.

SHG Acquisition (UK) Limited

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Capital contributions £'000	Profit and loss account £'000	Total deficit £'000
At 2 January 2017	-	40,619	4,684	(74,793)	(29,490)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(26,008)	(26,008)
Total comprehensive loss for the period	-	-	-	(26,008)	(26,008)
At 31 December 2017	-	40,619	4,684	(100,801)	(55,498)
At 1 January 2018	-	40,619	4,684	(100,801)	(55,498)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(24,340)	(24,340)
Total comprehensive loss for the period	-	-	-	(24,340)	(24,340)
At 30 December 2018	-	40,619	4,684	(125,141)	(79,838)

The notes on pages 24 to 55 form part of these financial statements.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018

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, Amsterdam, Mumbai, Hong Kong 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.

a) Basis of Preparation

These consolidated financial statements 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. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report.

In assessing the going concern basis of preparation of the consolidated financial statements for the period ended 30 December 2018, the directors have taken into consideration detailed cash flow forecasts for the Group, the Group's forecast compliance with bank covenants and the continued availability of funding to the Group from banks and shareholders.

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 the period ended 30 December 2018.

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.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

c) Parent company disclosure exemptions (continued)

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 Holdings Limited as at 30 December 2018 and these financial statements may be obtained from Companies House appended to these financial statements.

d) Basis of consolidation

The Group financial statements consolidate the financial statements of SHG Acquisition (UK) Limited and all its subsidiary undertakings as at 30 December 2018 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 and 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 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 allowed by the Group and value added taxes.

The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

e) Turnover (continued)

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 bedrooms 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 and tips/gratuities collected from customers and are recognised as the related services are delivered.

Bedrooms

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.

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 and is generally determined by qualified quantity surveyors. Profit on long term contracts is taken as the work is carried out

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

f) Long term contracts (continued)

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 profit and loss account over the directors' estimate of its useful economic life which is 20 years. Impairment tests on the carrying value of goodwill are undertaken:

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

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

h) Intangible assets other than goodwill

Trademarks are initially recognised in the balance sheet 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.

Website, software and product development costs, which are amortised over their estimated useful lives ranging from 4 – 10 years, comprise computer software purchased from third parties as well as the cost of internally developed software, product and website development. 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 30 December 2018 (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 are 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
Freehold land	-	Not depreciated
Capitalised property lease	-	over period of lease on straight line basis
Leasehold property	-	over period of lease on straight line basis
Motor vehicles	-	4 years straight line
Fixtures, fittings and equipment	-	2-5 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. For assets under construction, the Group capitalises all specifically identifiable costs related to development activities as well as interest costs incurred while activities necessary to get the property ready for its intended use are in progress.

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 and loss, other comprehensive income and equity of the jointly controlled entity as well as any impairment.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

k) Joint ventures (continued)

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).

When the Group contributes or sells assets to a joint venture, the Group recognises only the portion of the gain or loss that is attributable to the interests of the other venturers. The Group recognises the full amount of any loss when the contribution or sale provides evidence of an impairment loss.

The Group's share of the jointly controlled entity's profit and 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.

The 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 and 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 balance sheet 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.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

l) Impairment of non-financial assets (continued)

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 profit and loss account.

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 and is determined using a weighted average cost method.

Cost includes the purchase price, including taxes, duties, 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 profit and loss account, 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 balance sheet 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 profit and loss account on a straight-line basis over the reasonably assured term of the lease at inception. The charge to the profit and loss account includes non-cash rent expense arising from the recognition of stepped rent, on a straight line basis over the lease term.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

o) Leased assets (continued)

Reverse premiums and similar incentives received to enter into operating lease agreements are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the remaining period of the lease. Incentives are recognised from the point that inflows of future economic benefits to the Group become virtually certain.

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 profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

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 Group'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 profit and loss account 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 profit and loss account 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.

When a sale and leaseback transaction results in a finance lease no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

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 profit and loss account in the period in which they become payable. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

p) Employee benefits (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet 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. In respect of extinguished debt, the unamortised debt issuance costs in relation to those financial instruments results in the acceleration of those unamortised debt issuance costs.

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.

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 balance sheet 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 profit and loss account.

Translation

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

t) Reserves

Voluntary shareholder capital contributions are not credited to the company's profit and loss account, but are credited to a special reserve ("Capital Contribution Reserve"). Share premium reserve represents that part of shareholders' formed of the premium paid for new shares above their nominal value. Profit and loss account includes all current and prior period retained profits and losses.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (*continued*)

1 Accounting policies (*continued*)

u) 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 and loss.

If there is a 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 and 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 Soho House 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 and 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.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

u) *Financial Instruments (continued)*

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

x) *Insurance claims*

The Group maintains insurance policies to cover business interruption and property damage with terms that it believes to be adequate and appropriate. When the Group receives proceeds from the insurance claim in connection with property damage, which reimburses the replacement cost for repair or replacement of damaged assets, the proceeds are recognised as a reduction against the value of the assets written off. In addition business interruption proceeds reimburses the time-element of actual costs and lost profits following damage to property and are recognised in other operating income. Business interruption includes cost to expedite repairs, retention pay to workers temporarily displaced, and additional expenses to stay in business following damage to property which are recognised through the related expense line item. If there are any outstanding receivables in respect of insurance recoveries they are only recognised when the directors deem them to be virtually certain.

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. These decisions depend on an assessment of whether risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

1 Accounting policies (continued)

Critical accounting judgements and estimates (continued)

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 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.

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 balance sheet 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. Judgements include determining whether there are indicators of impairment of the Group's intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and whether it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

2 Other exceptional items

The Group incurred the following non-recurring other exceptional costs during the period:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Contractual arrangements – losses incurred	1,238	-
Quentin loan note provision	-	4,288
Legal and settlement costs relating to employment and operational matters	177	236
Employment and sales taxes	-	447
Aborted project costs	101	928
Severance and contract termination / settlement costs	1,043	237
Site closure costs	72	-
Other exceptional costs	-	143
	2,631	6,279

The Group has incurred losses of £1,238,000 (31 December 2017 - £nil) in connection with certain trading related contractual arrangements that commenced during the period.

On 28 December 2017, the Group sold its 50% stake in Quentin Limited to its parent company, Soho House Holdings Limited, who in turn sold it to related parties for consideration of £1. The Group made a profit on disposal of £1,470,000 (net of transaction costs) - note 3. In addition, following the disposal, the Group made a provision of £4,288,000 against its loan note due from Quentin Limited.

The Group incurred legal and settlement costs relating to the settlement of legal claims and employment and operational matters along with associated professional costs and fees.

Employment and sales taxes represent the provision for and settlement of claims arising from prior periods, taking account of current interpretation of legacy tax legislation.

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 profit and loss account.

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

Site closure costs relate to the closure of a retail site in London.

In addition to the above, the Group has incurred certain non-recurring costs in relation to the opening and development of new sites of £7,691,000 (31 December 2017 - £1,698,000).

The non-cash rent expense of £2,716,000 (31 December 2017: £2,423,000) arises from the recognition of stepped rent increases and amortisation of lease incentives on a straight line basis over the lease term.

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 or loss on Joint Venture".

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

3 Profit on disposal of joint ventures

On 28 December 2017, the Group sold its 50% stake in Quentin Limited to its ultimate parent company, Soho House Holdings Limited, who in turn sold the 50% stake to related parties for consideration of £1. The Group made a profit on disposal of £1,470,000 (net of transaction costs).

4 Business operating units

	Turnover		Adjusted EBITDA	
	52 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended
	30 December 2018	31 December 2017	30 December 2018	31 December 2017
	£'000	£'000	£'000	£'000
Analysis by class of business:				
Leisure	193,896	151,011	18,641	20,679
Home and Retail	19,960	15,895	201	148
Core ⁽¹⁾	213,856	166,906	18,842	20,827
Non-Core	40,375	39,264	(526)	494
	254,231	206,170	18,316	21,321

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

	Turnover		Adjusted EBITDA	
	52 weeks Ended	52 weeks ended	52 weeks ended	52 weeks ended
	30 December 2018	31 December 2017	30 December 2018	31 December 2017
	£'000	£'000	£'000	£'000
Analysis by geographical market:				
United Kingdom	182,466	143,692	11,755	14,922
North America	702	488	1,220	1,149
Europe and Rest of World	30,688	22,726	5,867	4,756
	213,856	166,906	18,842	20,827
Non-Core	40,375	39,264	(526)	494
	254,231	206,170	18,316	21,321

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 30 December 2018 (continued)

5 Operating loss

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
This is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets	16,358	15,237
Amortisation of goodwill	3,158	3,158
Amortisation of other intangible fixed assets	1,645	825
Hire of other assets - operating leases	23,422	21,361
Fees payable to the company's auditor for the auditing of the group's and company's annual accounts	596	388
Fees payable to the company's auditor or an associate of the company's auditor for other services:		
- taxation advisory services	48	-
- taxation compliance services	59	149
Exchange differences	667	(297)
	<hr/>	<hr/>

6 Employees

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

	52 weeks Ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Wages and salaries	89,843	64,055
Social security costs	8,999	7,321
Other pension costs	1,200	913
	<hr/>	<hr/>
	100,042	72,289
	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

6 Employees (continued)

Group

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

	52 weeks ended 30 December 2018 Number	52 weeks ended 31 December 2017 Number
Administration	398	305
Operations	2,906	2,282
	<u>3,304</u>	<u>2,587</u>

The company does not have any employees as at period end (31 December 2017 - nil).

7 Directors' remuneration

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Directors' emoluments	2,680	1,946
Group contributions to money purchase pension scheme	23	40
	<u>2,703</u>	<u>1,986</u>

The total amount payable to the highest paid director in respect of emoluments was £1,544,000 (31 December 2017 - £1,040,000). Group pension contributions of £23,000 (31 December 2017 - £40,000) were made to a money purchase scheme on their behalf.

The above remuneration relates to 2 directors (31 December 2017 - 2 directors) who are remunerated by the Group.

During the period one director participated in money purchase pension schemes (31 December 2017 - 1).

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 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Key management emoluments	3,633	2,381
Group contributions to money purchase pension scheme	55	41
	<u>3,688</u>	<u>2,422</u>

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

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

8 Interest payable

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Bank loans and overdrafts	1,189	765
Loans from parent and group companies	22,801	18,182
Amortisation of loan arrangement fees	2,628	297
Finance lease interest	103	163
Capitalised property lease – financing interest	3,669	3,645
Other loan interest	645	586
	<hr/>	<hr/>
	31,035	23,638
<i>Exceptional interest charges</i>		
Redemption premiums relating to former facilities – recharge from parent companies	-	4,288
Accelerated amortisation of loan arrangement fees relating to former facilities – recharge from parent companies	-	2,655
	<hr/>	<hr/>
	31,035	30,581
	<hr/>	<hr/>

The exceptional interest charges in the prior period related to the termination fees and accelerated amortisation of debt issuance costs in relation to the Group's refinancing which were recharged to the Group.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

9 Taxation on loss on ordinary activities

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
<i>Corporation tax</i>		
Current tax	-	127
Foreign tax	1,372	287
	<hr/>	<hr/>
Total current tax	1,372	414
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	24	(30)
Amounts released in period	(69)	1,482
Amounts released / (established) in period - foreign tax	602	(465)
	<hr/>	<hr/>
Movement in deferred tax provision (Note 14)	557	987
	<hr/>	<hr/>
Taxation charge on loss on ordinary activities	1,929	1,401
	<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 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Loss on ordinary activities before tax	(52,294)	(42,770)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (31 December 2017 – 19.25%)	(9,936)	(8,233)
	<hr/>	<hr/>
Effect of:		
Items not deductible for tax purposes	2,231	2,801
Differences between UK and overseas tax rates	204	309
Deferred tax not recognised	9,069	5,982
Other effects of movement in deferred tax	(3)	369
Share of joint venture deferred tax - adjustment in respect of prior years	-	-
Other differences	364	173
	<hr/>	<hr/>
Total tax charge for the period	1,929	1,401
	<hr/>	<hr/>

There are tax losses of £24,104,000 (31 December 2017 - £30,505,000) in the Group which have not been recognised as they are not available for future group relief and there is currently insufficient evidence that these losses would be recovered.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (*continued*)

9 Taxation on loss on ordinary activities (*continued*)

Factors that may affect future tax charges

A reduction in the UK corporate tax rate from 20% to 19.25% took effect from 1 April 2017. Further reduction in the UK corporate tax rate to 17% has been substantially enacted with effect from 1 April 2020.

10 Intangible fixed assets

	Trademarks	Website and software development costs	Goodwill	Total
	£'000	£'000	£'000	£'000
<i>Cost</i>				
At 1 January 2018	3,433	4,771	63,329	71,533
Additions	78	5,605	-	5,683
Reclassify	(455)	455	-	-
Transfer from tangible fixed assets (Note 11)	-	14	-	14
Disposal	(2)	-	-	(2)
At 30 December 2018	3,054	10,845	63,329	77,228
<i>Amortisation</i>				
At 1 January 2018	927	1,102	31,415	33,444
Provided for the period	301	1,344	3,158	4,803
Reclassify	(156)	156	-	-
At 30 December 2018	1,072	2,602	34,573	38,247
<i>Net book value</i>				
At 30 December 2018	1,982	8,243	28,756	38,981
At 31 December 2017	2,506	3,669	31,914	38,089

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

11 Tangible fixed assets	Capitalised property lease	Freehold land and buildings	Leasehold land and buildings and premiums	Motor vehicles	Fixtures and fittings	Office equipment	Assets in the course of construction	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost	55,349	22,806	44,137	1,276	51,304	10,108	22,379	207,359
At 1 January 2018	-	-	11,829	117	9,233	2,772	23,848	47,799
Additions	-	-	(334)	(55)	(1,376)	(496)	(87)	(2,348)
Disposals	-	-	10,544	-	7,404	109	(18,088)	(31)
Reclassify / Inter group transfer	-	-	-	-	-	-	(14)	(14)
Transfer to intangible fixed assets (Note 10)	-	-	-	-	-	-	-	-
Exchange adjustments	-	-	56	-	107	9	117	289
At 30 December 2018	55,349	22,806	66,232	1,338	66,672	12,502	28,155	253,054
Depreciation								
At 1 January 2018	2,318	2,115	14,104	743	34,019	6,979	-	60,278
Charge for the period	1,082	302	3,637	318	8,817	2,202	-	16,358
Disposals	-	-	(118)	(45)	(1,228)	(476)	-	(1,867)
Exchange adjustments	-	-	29	-	99	7	-	135
At 30 December 2018	3,400	2,417	17,652	1,016	41,707	8,712	-	74,904
Net book value								
At 30 December 2018	51,949	20,389	48,580	322	24,965	3,790	28,155	178,150
At 31 December 2017	53,031	20,691	30,033	533	17,285	3,129	22,379	147,081

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

12 Fixed asset investments

Group	Loans to joint ventures £'000	Investment in joint ventures £'000
<i>Cost</i>		
At 1 January 2018	13,730	3,606
Share of loss for the period	-	(2,441)
Exchange adjustments	-	(56)
Additions	175	1,988
Net loans (repaid) / advanced to joint ventures	(317)	-
Distributions from joint ventures	-	(204)
	<hr/>	<hr/>
At 30 December 2018	13,588	2,893
	<hr/>	<hr/>

Additions in the period primarily relate to the Group's equity contributions to its Raycliff joint venture in connection with its purchase of a second property in Redchurch Street, London.

Joint ventures

Joint ventures listed on page 46 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</i>			
At 1 January 2018 and 30 December 2018	96,638	4,683	101,321
	<hr/>	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

12 Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments

The undertakings in which the parent company has an interest at the period end are 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 Paris S.A.S	France	100%*	Leisure
Soho House Rome S.r.l.	Italy	100%*	Non-trading
Soho House Toronto Limited	England	100%*	Holding company
Cheeky Nails Limited	England	100%*	Dormant
Barber & Parlour Limited	England	100%*	Non-trading
Soho Townhouse Limited	England	100%*	Non-trading
Soho House CWH Limited	England	100%*	Leisure
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
Soho House Amsterdam B.V. (formerly HTN F&B (Amsterdam) B.V.)	Netherlands	100%*	Restaurant operator
SHA Dormant B.V. (formerly Soho House Amsterdam B.V.)	Netherlands	100%*	Holding company

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

12 Fixed asset investments (continued)

Joint ventures and associated undertakings

Soho Works Limited	England	100%*	Co-working
Soho House Toronto Partnership	Canada	50%*	Leisure
Raycliff Red LLP	England	50%*	Property company
Raycliff Shoreditch Holdings LLP	England	50%*	Holding company
Mimea XXI S.L.	Spain	50%*	Holding company
Mirador Barcel S.L.	Spain	50%*	Property company
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, other than as listed below.

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 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

13 Stocks

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Finished goods and goods for resale	7,819	5,721
Consumables	4,142	2,939
	<hr/>	<hr/>
	11,961	8,660
	<hr/>	<hr/>

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

The company had no stock at the current or prior period end.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

14 Debtors

	Group 30 December 2018 £'000	Group 31 December 2017 £'000	Company 30 December 2018 £'000	Company 31 December 2017 £'000
<i>Amounts receivable within one year:</i>				
Trade debtors	16,223	12,350	-	-
Amounts due from group undertakings	-	-	134,711	96,785
Amounts due from parent undertakings	5,458	3,516	1,990	2,037
Amounts due from related group undertakings (Note 22)	19,635	18,070	2,410	2,101
Amounts due from joint ventures undertakings (Note 22)	8,999	2,651	-	-
Other debtors	1,731	1,529	12	13
Prepayments and accrued income	9,917	5,626	1,029	-
Amounts recoverable on contracts	8,937	8,326	-	-
	70,900	52,068	140,152	100,936
<i>Amounts receivable after more than one year:</i>				
Amounts due from joint ventures undertakings (Note 22)	-	4,992	-	-
Other debtors (rent deposits)	55	56	56	56
Deferred taxation	2,984	3,539	-	-
	3,039	8,587	56	56
Total debtors	73,939	60,655	140,208	100,992

Included within Amounts due from joint venture and related party undertakings, due within one year, are balances totalling £12,959,000. To the extent the counter party is unable to do so, the Group does not intend to recall the amounts due, within one year.

	Group Deferred Taxation 30 December 2018 £'000	Group Deferred taxation 31 December 2017 £'000	Company Deferred taxation 30 December 2018 £'000	Company Deferred taxation 31 December 2017 £'000
At the beginning of the period	3,539	4,517	-	-
Charge to income statement (Note 9)	(557)	(987)	-	-
Foreign exchange adjustment	2	9	-	-
At the end of the period	2,984	3,539	-	-

The deferred tax asset relates principally to depreciation in excess of capital allowances.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

15 Cash at bank and in hand

Cash at bank includes restricted cash of £649,000 (31 December 2017 - £nil) relating to security deposits in relation to the group.

16 Creditors: amounts falling due within one year

	Group 30 December 2018 £'000	Group 31 December 2017 £'000	Company 30 December 2018 £'000	Company 31 December 2017 £'000
Bank loans and overdrafts (secured)	25,584	23,971	25,593	23,971
Other loans	381	-	-	-
Amounts due to parent undertakings	42,953	42,953	36,623	36,623
Amounts due to related group undertakings (Note 22)	18,139	12,013	469	446
Amounts due to joint ventures	-	539	-	-
Trade creditors	24,177	14,342	-	-
Taxation and social security	9,509	5,767	-	-
Obligations under finance lease and hire purchase contracts	48	701	-	-
Capitalised property lease – finance lease (Note 11)	184	172	-	-
Other creditors	8,959	6,894	-	-
Accruals	32,881	22,429	1,444	141
Deferred income	18,533	13,629	-	-
	<u>181,348</u>	<u>143,410</u>	<u>64,129</u>	<u>61,181</u>

17 Creditors: amounts falling due after more than one year

	Group 30 December 2018 £'000	Group 31 December 2017 £'000	Company 30 December 2018 £'000	Company 31 December 2017 £'000
Other loans	9,335	-	-	-
Amounts due to parent undertakings	267,361	196,904	267,361	196,904
Amounts due to group undertakings	-	-	5,119	-
Obligations under finance lease and hire purchase contracts	-	48	-	-
Capitalised property lease – finance lease (Note 11)	53,473	53,584	-	-
Accruals (unamortised lease incentives)	7,344	4,627	-	-
	<u>337,513</u>	<u>255,163</u>	<u>272,480</u>	<u>196,904</u>

During 2015, 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 30 December 2018 *(continued)*

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

Maturity of debt:

Group	Bank loans and overdrafts 30 December 2018 £'000	Finance leases 30 December 2018 £'000	Capitalised property lease 30 December 2018 £'000	Other loans 30 December 2018 £'000	Total 30 December 2018 £'000
In one year or less, or on demand	25,584	48	184	381	26,197
In more than one year but not more than two years	-	-	197	417	614
In more than two years but not more than five years	-	-	677	6,585	7,262
In more than five years	-	-	52,599	2,333	54,932
	-	-	53,473	9,335	62,808
Group	Bank loans and overdrafts 31 December 2017 £'000	Finance leases 31 December 2017 £'000	Capitalised property lease 31 December 2017 £'000	Other loans 31 December 2017 £'000	Total 31 December 2017 £'000
In one year or less, or on demand	23,971	701	172	-	24,844
In more than one year but not more than two years	-	48	184	-	232
In more than two years but not more than five years	-	-	633	-	633
In more than five years	-	-	52,767	-	52,767
	-	48	53,584	-	53,632

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

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

Bank loans within one year are net of unamortised finance costs of £1,664,000 (31 December 2017 - £893,000).

In April 2017, Soho House Bond Limited, the Group's intermediate parent company, signed an agreement to refinance the majority of its existing debt to support future growth. The key elements were:

- A £275 million private senior secured loan ("Permira Senior Facility") with a five year maturity from closing at LIBOR + 7%; £250 million of this loan was drawn in April 2017 with the additional £25 million being drawn in October 2017. The facility is secured on a fixed and floating charge basis over the assets of Soho House;
- A further £100 million of available financing, under the Permira Senior Facility, to drive further global expansion of the business on the same terms; and

As part of the refinance the Group renewed its revolving credit facility of £30 million plus £5 million accordion for a period of four and a half years. The facility comprises c. £27.1m relating to SHG Acquisition (UK) Limited and subsidiaries and \$10m relating to the US Group. At 30 December 2018, the Group had £2.8m (31 December 2017 - £3.5m) remaining to draw against this facility. The facility is secured on a fixed and floating charge basis over the assets of Soho House.

In February 2018 and June 2018, the Company drew an additional £20 million and £25 million, respectively, under the Permira Senior Facility. The Permira Senior Facility is secured on a fixed and floating charge basis over the assets of the Company.

In October 2017 the Group exercised the £5 million extension on its revolving credit facility, taking its total availability under the facility to £35 million.

In January 2018, the Group entered into leases in connection with its Greek Street properties. As part of these leases, the landlord has funded a principal amount of £5m, which represents costs paid directly by the landlord which will be repaid by the Company. The Greek Street loans carry interest of 7.5%, are due for repayment in January 2028 and are unsecured. The principal balance at 30 December 2018 was £4.6m of which £381,000 is due within one year.

In June 2018, the Group received proceeds of \$6.5m (£5.1m) from the landlord of the Soho House Hong Kong property under a loan agreement. The loan has a 5-year term, with an interest rate of LIBOR + 7% payable annually. Principal is due on expiration of the loan.

18 Financial Instruments

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

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Financial assets		
Financial assets measured at amortised cost	96,406	69,517
Financial liabilities		
Financial liabilities measured at amortised cost	490,819	379,060

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by parent, related parties, joint ventures and associated undertakings and cash and cash equivalents.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

18 Financial Instruments (continued)

Financial liabilities measured at amortised cost comprise preference shares, bank loans and overdrafts, trade creditors, amounts owed to parent and related parties, finance leases, other creditors and accruals.

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 in Note 17. All other financial assets and liabilities are non-interest bearing.

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

19 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 £1,200,000 (31 December 2017 - £913,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

20 Share capital

	30 December 2018 £'000	31 December 2017 £'000
<i>Allotted, called up and fully paid</i>		
3 ordinary shares of £1 each	-	-

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.

21 Commitments under operating and finance leases

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

	Land and buildings 30 December 2018 £'000	Land and buildings 31 December 2017 £'000
Within one year	19,962	15,907
In two to five years	98,484	69,910
After five years	400,030	195,197
	518,476	281,014

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

21 Commitments under operating and finance leases (continued)

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

The company had no commitments at the current or prior period end.

Total of Group future minimum lease payments under finance leases, including capitalised property leases:

	30 December 2018 £'000	31 December 2017 £'000
Within one year	3,890	4,645
In two to five years	15,365	15,413
After five years	58,707	62,548
	<hr/>	<hr/>
	77,962	82,606
	<hr/>	<hr/>

22 Related party disclosures

The Group 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.

During the period Non-Core services totalling £87,000 (31 December 2017 - £69,000) were provided to owners of the company. At 30 December 2018, £nil was due to the Group (31 December 2017 - £12,000) from the individuals.

Rental income from shareholders of the Group totalled £nil (31 December 2017 - £139,000). At 30 December 2018 £178,000 (31 December 2017 - £178,000) was due to the Group from the individuals.

Fees paid to related parties under consultancy agreements totalled £45,000 (31 December 2017 - £43,000).

Revenues from the Non-Core services business operation (as defined in Note 4) to various joint ventures totalled £10,465,000 (31 December 2017 - £5,642,000).

The Group has a Management Services Agreement ("MSA") with Quentin Limited, a company related by common shareholders, in relation to certain centralised services being provided by the Group following the sale of the Group's 50% interest in Quentin Limited. A total of £188,000 (31 December 2017 - £335,000) was recharged to Quentin Limited.

The Group has also recognised income relating to Non-Core services provided to Quentin Limited totalling £8,583,000 (31 December 2017 - £616,000). At 31 December 2018 an amount of £1,472,000 (31 December 2017 - £13,000) was due from Quentin Limited, a company related by common shareholders, which is included in Amounts due from related party undertakings due within one year as shown below.

The Group has also recognised reimbursement of costs incurred by Group in respect of services provided to a related party, Quentin Limited, totalling £376,000 (31 December 2017 - £587,000) was recharged to Quentin Limited.

The Group has recognised reimbursement of costs incurred by the Group in respect services provided to a related party totalling £958,000 (31 December 2017 - £1,604,000). At 30 December 2018 an amount of £104,000 (31 December 2017 - £230,000) was due from Poultry OpCo Limited and Poultry Tenant Limited, companies related by common shareholders.

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

22 Related party disclosures (continued)

The Group has recognised income relating to sales of products and revenue from Non-Core services from Poultry OpCo Limited and Poultry Tenant Limited totalling £1,287,000 (31 December 2017 - £2,493,000). At 30 December 2018 an amount of £295,000 (31 December 2017 - £627,000) was due from Poultry OpCo Limited and Poultry Tenant Limited, companies related by common shareholders.

The Group has recognised reimbursement of costs incurred by the Group in respect of services provided to a Joint Venture totalling £829,000 (31 December 2017 - £362,000).

The Group has recognised income relating to management and development fees from Soho House-Sydell, LLP totalling £2,061,000 (31 December 2017 - £1,186,000). At 30 December 2018 an amount of £207,000 (31 December 2017 - £348,000) was due from Soho House Sydell LLP, a joint venture.

The Group has recognized interest income on a Loan Note due from Soho Works Limited of £887,000 (31 December 2017 - £nil) and £728,000 (31 December 2017 - £nil) was due from Soho Works Limited at 30 December 2018 in relation to interest income and included within Prepayments and accrued income.

Amounts due from / (to) joint venture undertakings due within one year – Note 14

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Soho Works Limited	2,242	1,840
Raycliff Red LLP	1,024	-
Mimea XXI S.L.	445	-
Mirador Barcel S.L. - trading	65	811
Mirador Barcel S.L. - loan	5,258	-
Little Beach House S.L.	(35)	-
	<hr/>	<hr/>
	8,999	2,651
	<hr/>	<hr/>

Amounts due to joint venture undertakings due within one year – Note 16

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Raycliff Red LLP	-	539
	<hr/>	<hr/>

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

22 Related party disclosures *(continued)*

Amounts due from related undertakings due within one year – Note 14

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Soho House New York, LLC	7,447	7,447
Soho House West Hollywood, LLC	715	715
Soho House Beach House, LLC	-	933
Soho House Chicago, LLC	1,871	3,392
Soho-Ludlow, LLC	905	943
Soho House US Corp	637	327
Soho-Cecconi's (Water Street), LLC	215	107
Soho Dumbo, LLC	657	45
Soho House CWH, LLC	332	63
In House Design & Build, LLC	582	187
L.A. 1000 Santa Fe LLC	36	13
DTLA JV, LLC	17	-
Soho Works, LLC	1	1
Beach House Owner, LLC	19	-
Little Beach House Malibu, LLC	874	840
Soho House Finance SARL	311	136
Quentin Limited	5,016	2,921
	<hr/> 19,635	<hr/> 18,070

Amounts due to related undertakings due within one year – Note 16

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Soho House New York, LLC	12,695	7,887
Soho House New York, Inc	18	16
Soho House Beach House, LLC	11	-
Soho House West Hollywood, LLC	2,167	1,285
Soho House, LLC	1	-
Soho House Toronto Partnership	364	46
Soho House Finance SARL	2,883	2,752
Quentin Limited	-	27
	<hr/> 18,139	<hr/> 12,013

Amounts due from joint venture undertakings due after more than one year – fixed asset investments – note 12

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Soho Works Limited	10,175	10,000
Soho House Toronto Partnership	-	316
Raycliff Red LLP	3,413	3,414
	<hr/> 13,588	<hr/> 13,730

SHG Acquisition (UK) Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

22 Related party disclosures (continued)

Amounts due from joint venture undertakings due after more than one year – note 14

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Mirador Barcel S.L.	-	4,992
	-	4,992

23 Capital Commitments and Contingencies

Capital expenditure commitments contracted for at the balance sheet date but not yet incurred total £6,679,000 in connection with the development agreement Soho House Hong Kong (31 December 2017 - £nil).

The Group guarantees the obligations of Quentin Limited and certain of its subsidiaries under certain property leases with respect to any required rental or other payment or performance obligations under these leases. The current aggregate anticipated maximum exposure for rental and service charge payments under these guarantees is approximately £22,094,000 in any given year. The Group has not had to make any payments nor has it become obligated to make any payments under these rental guarantees. The Group believes the likelihood of having to perform under aforementioned lease payment guarantees was remote as of 30 December 2018 and 31 December 2017.

24 Post balance sheet events

In April 2019, the Group completed the acquisition of certain businesses in Greece for cash consideration of approximately €45.2m. The existing businesses comprise a hotel and a beach club in Mykonos, Greece. The transaction also includes all future projects, including a restaurant currently under construction in Mykonos, to be rolled out with certain selling shareholders. Minority shareholders have retained between 16% and 25% ownership in the existing and future projects business.

25 Ultimate parent company and parent undertaking of larger group

The immediate parent company of SHG Acquisition (UK) Limited at 30 December 2018 is Abertaff Limited, a Jersey registered company and the ultimate parent company is Soho House Holdings Limited, a company incorporated in United Kingdom.

The Group is controlled by R Burkle through his control of the Yucaipa Group of companies, which have a majority shareholding in the Group.

The largest and smallest group in which the results of the company are consolidated is that headed by Soho House Holdings 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.

GROUP ACCOUNTS FORM PART
OF THE ACCOUNTS OF
COMPANY.....

6395943

Soho House Holdings Limited

Report and Financial Statements

52 weeks ended

30 December 2018

Company Number 125394

Soho House Holdings Limited

Report and financial statements for the period ended 30 December 2018

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Soho House Holdings Limited

Strategic report for the period ended 30 December 2018

The directors present their strategic report together with the audited financial statements for the 52 week period ended 30 December 2018.

Principal activities

Soho House Holdings (the "Group") is a leading global private membership club which, over our 24 year history, has become a coveted lifestyle brand with significant and proven global growth potential. As the pace of life accelerates and the way people live their lives has changed, Soho House provides a "home away from home" for its members with a place to connect, work, workout, socialise and relax with a community of like-minded individuals. Since the opening of our first club ('House') in the Soho district of London in 1995, we have grown to 23 distinctive Houses across North America, the United Kingdom, Europe and Asia. Today, we are a community of more than 89,000 diverse, creative and loyal individuals paying an annual membership fee to be part of the Soho House community. As part of a Soho House membership, we offer access to our Houses and host thousands of member events worldwide, spanning film, fashion, art, business and music. In addition to membership fees, we generate revenue from food, beverage and accommodation within our Houses and from other complementary goods and services that we create and provide. We strive to make our Houses a significant part of our members' everyday lives, where they feel at home and are able to relax in familiar and comfortable surroundings. Given the enduring value proposition that we provide our members, we have developed an extremely loyal membership base with very high retention rates that have averaged in excess of 95% and a growing wait list currently in excess of 36,000 applicants who have applied since 31 December 2014. We currently operate 23 Houses, 3 townhouses, 18 public restaurants, 15 spas, 2 cinemas and 839 hotel rooms across the global 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 and applications are reviewed by a Committee of members each quarter. 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"). Our membership model is an integral part of our business and has a significant impact on our profitability and financial performance. Member count is the primary driver of membership revenues and is also a critical factor in other revenues as members utilise the hospitality and service offerings that are provided within the Houses. The extent to which we achieve growth in our membership base, retain existing members and periodically increase our membership fee rates will impact our profitability. We have historically enjoyed strong member loyalty, reflected by very high retention rates, which have averaged greater than 95%, and robust demand for our memberships, as evidenced by considerable wait lists for most of our Houses. The year over-year increase in our total number of members is driven by a combination of increases in membership at existing Houses and members from new Houses. Local House Membership fees range from £500 to £1,325, \$1,050 to \$2,100 and €750 to €1,500 annually and Every House Membership fees range from £925 to £1,650, \$1,600 to \$3,200 and €900 to €1,800 annually. As of 30 December 2018, approximately 78% 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 very low attrition. In addition, our extensive global waiting list of over 36,000 potential members enables us to control our growth based upon the usage of Houses.

How We Generate Turnover

In measuring and monitoring our operating results, management manages "core" operations separate from its "non-core" operations being Soho House Design (our business unit which provides the design and, where applicable, build-out of our Houses and other units). 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").

Due to rounding, numbers presented in the Strategic Report may not add up precisely to the totals provided and percentages may not precisely reflect the presented figures as the underlying calculations are referenced from absolute values, whereas numbers presented have been rounded to thousands.

Our primary source of Core turnover is through membership and registration fees and the provision of food and beverage in our Houses and restaurants. Our average Core turnover mix for the 52 weeks ended 30 December 2018 was as follows: food and beverage accounted for 49% (31 December 2017–50%), membership and registration fee receipts accounted for 27% (31 December 2017–25%), accommodations accounted for 12% (31 December 2017–12%) and Home, Retail and other sales accounted for 12% (31 December 2017–13%).

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

How We Generate Turnover (continued)

Turnover

Turnover was £432.5m for the 52 weeks to 30 December 2018, compared to £360.1m for the 52 weeks to 31 December 2017, which represents an increase of £72.4m or 20%.

Our turnover from Core operations was £391.9m for the 52 weeks to 30 December 2018, compared to £320.2m for 52 weeks ended 31 December 2017, which represents an increase of £71.6m or 22%. The increase was driven by an increase in food and beverage turnover of £31.9m, a growth in membership and registration fee turnover of £24.4m, accommodation turnover growth of £9.3m and an increase of turnover in Soho Home retail, Cowshed spa, treatments, product sales and other income of £6.0m.

Food and beverage turnover increased primarily due to the opening of Soho House 40 Greek Street, London, Soho House Dumbo, New York, White City House, London and Soho House Amsterdam all during 2018 and the full year trading in relation to 2017 openings - Cecconi's Dumbo.

Membership fee turnover increased primarily due to three key factors – (i) the opening of Soho House 40 Greek Street, London, Soho House Dumbo, New York, White City House, London and Soho House Amsterdam which all opened in 2018 (ii) an overall increase in paying members from nearly 71,000 members at 31 December 2017 to 89,000 members at 30 December 2018 and (iii) the full year impact of the February 2017 price increase, in which we successfully increased our Every House membership fee by £250, \$400 and €300 per annum and Local House membership fee by £125, \$100 and €200 per annum. A combination of all three factors contributed to the increase in membership and registration fee income.

Non-Core turnover increased by £0.8m to £40.7m. During 2018 Soho House Design completed the design and fit out work at 40 Greek Street and White City House on behalf of the developers as well as taking on additional private client projects.

Cost of Sales

Cost of sales was £102.5m for the 52 weeks to 30 December 2018, compared to £89.7m for the 52 weeks ended 31 December 2017, which represents an increase of £12.9m or 14%. The increase in cost of sales is partially attributable to Soho House Design but predominantly driven by the increased costs associated with the growth in turnover.

Cost of sales for Core operations (excluding Soho House Design) was £63.9m for the 52 weeks to 30 December 2018, compared to £53.6m for the 52 weeks ended 31 December 2017, which represents an increase of £10.3m or 19%. Cost of sales for Core operations as a percentage of Core turnover reduced to 16.3% for the 52 weeks ended 30 December 2018 from 16.7% for the 52 weeks ended 31 December 2017, primarily due to the membership income increasing turnover with virtually no impact on cost of sales.

Cost of sales of non-Core were £38.6m, which related to costs of the services provided by Soho House Design, which is a low margin business. The increase in cost of sales of £2.5m is in line with the increase in turnover.

Gross Profit

Gross profit was £330.0m for the 52 weeks to 30 December 2018, compared to £270.5m for the 52 weeks ended 31 December 2017, which represents an increase of £59.5m or 22%.

Gross profit for Core operations was £327.9m for the 52 weeks to 30 December 2018, compared to £266.6m for the 52 weeks ended 31 December 2017, which represents an increase of £61.3m or 23%. As a percent of Core turnover, gross margin improved to 83.7% for the 52 weeks to 30 December 2018 from 83.3% for the 52 weeks ended 31 December 2017, primarily due to the increase in member revenue.

Administrative Expenses

Administrative expenses were £350.9m for the 52 weeks to 30 December 2018, compared to £289.2m for the 52 weeks ended 31 December 2017, which represents an increase of £61.7m or 21%. The increase in administrative expenses has primarily been driven by increased costs associated with new property openings and the new openings in the pipeline since the equivalent period last year which has also led to increased personnel numbers

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 *(continued)*

How We Generate Turnover *(continued)*

and therefore higher salary and related people costs. In addition there has been an adverse impact to administrative expenses due the appreciation of the US dollar against sterling (our reporting currency).

Adjusted EBITDA

We use this financial measure when planning, monitoring and evaluating our performance. We consider this financial measure to be a useful metric for management and investors to facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures, tax position, depreciation and amortisation and certain other expenses that we believe are not representative of our core business. We use this financial measure as a key operating metric for business planning purposes and in measuring our performance.

The Group adjusted earnings before interest, taxation, depreciation, amortisation, foreign exchange, new site development costs, profit or loss on disposal of fixed assets and joint venture undertakings, non-cash rent, other exceptional items, and including share of joint venture adjusted EBITDA was £56.4m (31 December 2017 - £50.5m) - growth on prior period of 12%.

The Group's loss for the financial period was £67.3m (31 December 2017 - £62.0m) which reflects the Group's continued investment in its properties and its members.

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 during the period) range from fine dining to fast casual dining and include *Café Bohème*, *High Road House Brasserie*, *Cecconi's*, *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 30 December 2018 were £190.5m with a food and beverage sales mix of 46% and 54%, respectively. For the 52 weeks to 31 December 2017 food and beverage sales were £158.6m with a food and beverage sales mix of 47% and 53%, respectively. This represents an 18% and 22% increase in food and beverage sales respectively on the comparable period last year.

Membership Income

As of 30 December 2018 we had over 89,000 members, with over 36,000 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 generally 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 February 2017, we increased our Every House membership fee by £250, \$400 and €300 per annum. In addition we increased our Every House registration fees by £100, \$200 and €50. Local house membership fees and registration fees increased by smaller amounts. Our membership attrition is less than 5% per annum. We anticipate that the membership base and waiting list will continue to grow as new Houses are opened.

During the prior period we also launched Cities Without Houses ("CWH"), a new type of membership that opens up the Soho House community to people who live in cities where we do not yet have a House. The growth in CWH members has also contributed to the increase in membership and registration fees as well as the increase in members year on year.

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (*continued*)

How We Generate Turnover (*continued*)

Membership and registration fee income for the 52 weeks to 30 December 2018 was £105.2m compared to £80.8m for the 52 weeks to 31 December 2017 representing a 30% increase on the comparable period last year.

Accommodations

As of 30 December 2018, we operated 18 boutique hotels comprised of 839 rooms across our global portfolio. Other than Dean Street Townhouse and Kettner's Townhouse, all of our hotels are co-located within our Houses. Our portfolio is comprised of the following: 340 rooms in the U.K., 133 rooms in the U.S., 65 rooms, 20 apartments and 4 "loft" rooms in Berlin, 86 rooms and 1 apartment in Istanbul (management contract), 56 rooms in Barcelona (joint venture), 17 rooms at Little Beach House, Barcelona, 79 rooms in Amsterdam and 38 rooms in Mumbai (management contract). These bedrooms 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 bedrooms that are co-located with our Houses, providing guests with full access to all of the facilities that are available within the House.

We have 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.

Across our global portfolio, average occupancy was 91.5% (31 December 2017 – 91.1%) and the average room rate was £297 (31 December 2017 - £306) during the 52 weeks to 30 December 2018. Total accommodation sales for the 52 weeks to 30 December 2018 were £49.4m compared to £40.1m for the 52 weeks to 31 December 2017 representing a 23% increase on the comparable period last year and primarily driven by new openings.

Home, Retail and other

Our *Cowshed* brand consists of 15 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.

Soho House Design

In addition to the above Core operations, we also undertake Non-Core 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

Opened in 1995, the original Soho House 40 Greek Street, occupies five Georgian townhouses in London's Soho. The House was recently refurbished, opening again to members in January 2018, and now has four floors for eating and drinking, with the Circle Bar, Drawing Room, House Kitchen, event spaces and two rooftop terraces. This was the first Soho House opened when Nick Jones was offered the space above his restaurant *Café Bohème*. Right in the heart of the film and media industries, our global community of like-minded, creative people was born.

Our fourth House in west London occupies part of the former BBC Television Centre in White City, and has a rooftop pool and terrace, *The Allis*, gym, screening room and 45 bedrooms. White City House not only gave young creatives of west London a place to meet and collaborate in, but also put the whole area back on the map as a major cultural hub in the city – shifting some of the focus from east London.

Existing sites have performed well in the current year with Adjusted EBITDA growth on the prior driven by the impact of the 2017 membership prices rises and increased new members across existing and recently opened Houses.

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

Geographic Business Review (continued)

Building work was completed in 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 previously added 16 bedrooms in the property on Redchurch Street, London. The rooms are serviced by Shoreditch House. Phase 2 opened in October 2018 and added another 22 rooms plus 85 cover Cecconi's restaurant.

During 2018 Soho House Design completed the design and fit out work at 40 Greek Street and White City House on behalf of the developers as well as taking on additional private client projects.

The Ned opened to critical acclaim in April 2017, under a management agreement, in the former Midland Bank building in the heart of the City of London. It opened with nine restaurants, 252 bedrooms, 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 has transformed 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 enjoy access to Ned Club Relax that contains a 20 meter swimming pool, hamam, sauna and steam room.

North America

Our third House in New York – and first in Brooklyn (opened May 2018) – occupies the top two floors of Dumbo's Empire Stores (above Cecconi's). The House includes a club bar and restaurant, as well as an outside terrace and rooftop with a pool, all of which have views of the East River, downtown Manhattan and the Statue of Liberty. DUMBO House opened in a neighbourhood in Brooklyn that had been, until recently, overlooked. The move has attracted a new local group of members who don't spend as much time in Manhattan and naturally fit into our community.

Cecconi's Dumbo opened in June 2017 on the waterfront in the Brooklyn area of New York City. In addition to the flagship restaurant in Mayfair, London, Cecconi's has outposts in West Hollywood, Miami, Istanbul, Barcelona, Berlin, and in The Ned, London.

In summer 2017 we added an extra 14 rooms on the second floor of Soho House New York taking our total rooms available in North America to 133.

Europe

Overlooking a canal in the city centre, Soho House Amsterdam opened in summer 2018 with a floor of club space, rooftop pool, gym, screening room, library, Cowshed spa, plus 79 bedrooms. The basement has space to park nearly 100 bikes and there's a small workshop for repairs.

Following successful House openings in both Ludlow, New York and Malibu, California in mid-2016, Soho House 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 56-bedroom hotel. Since opening, the membership base has grown in line with our budget expectations.

In summer 2018 we opened Little Beach House, Barcelona, a 30-minute drive south from our first Spanish club. Our Barcelona beachfront property is situated on the bay of Garraf, nearby popular Sitges. Formerly a hotel built in the 1960s, the House has 17 hotel rooms.

As with all businesses in Turkey, Soho House Istanbul (management contract) has been impacted by the political and macro-economic challenges currently prevailing over the country. Despite this, we have still managed operational efficiencies 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 2019 as the economic position in the country stabilise.

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

Geographic Business Review (continued)

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 2018 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 and available facilities from existing lenders.

The Group has capitalised tangible fixed assets totalling £94.0m in the period funded by a combination of landlord financing (£21m) and own working capital. As the Group reached completion on major construction projects through its Soho House Design business unit, this has resulted in incremental construction related receivables, work in progress and accruals for costs with an impact on current assets and current liabilities. Other debtors also includes an amount of £1.2m receivable, predominantly in relation to an insurance claims arising in North America.

In April 2017, the Group signed an agreement to refinance the majority of its existing debt to support future growth. The key elements were:

- A £275 million private senior secured loan ("Permira Senior Facility") with a five year maturity from closing at LIBOR + 7%; £250 million of this loan was drawn in April 2017 with the additional £25 million being drawn in October 2017. The facility is secured on a fixed and floating charge basis over the assets of the group;
- A further £100 million of available financing under the Permira Senior Facility to drive further global expansion of the business on the same terms; and
- Renewal of its revolving credit facility of £30 million plus £5 million accordion for a period of four and a half years. The facility comprises c. £27.1m relating to SHG Acquisition (UK) Limited and subsidiaries and \$10m relating to the North American business. At 30 December 2018, the Group had £2.8m remaining to draw against this facility. The facility is secured on a fixed and floating charge basis over the assets of the group.

In January 2018, the Group entered into leases in connection with its Greek Street properties. As part of these leases, the landlord has funded a principal amount of £5m, which represents costs paid directly by the landlord which will be repaid by the Company.

In February 2018 and June 2018, the Company drew an additional £20 million and £25 million, respectively, under the Permira Senior Facility.

In June 2018, the Group received proceeds of \$6.5m (£5.1m) from the landlord of the Soho House Hong Kong property under a loan agreement.

In June 2018 the Group had an outstanding balance of \$3.7 m (£2.9m) under a loan agreement and described as Other Loans. The facility had an original maturity date in June 2018, which was extended until July 2019.

In November 2018, the Group received funding from shareholders totalling £10m.

In February 2019, the Group refinanced its \$53.6m term loan, \$11.7m mezzanine loan and its preferred shares totalling \$15m issued to the former landlord to the Miami property. These loans were due March 2019 and April 2019 – see Post Balance Sheet Events (Note 24).

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

Investment and Financing (continued)

Taking account of the above and in assessing the going concern basis of preparation of the consolidated financial statements for the period ended 30 December 2018, the directors have taken into consideration detailed cash flow forecasts for the Group, the Group's forecast compliance with bank covenants and the continued availability of funding to the Group from banks and shareholders. 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.

Future developments

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

Future UK house openings include 180 House, occupying the top two floors at 180 The Strand, London. The remaining floors will be the second Soho Works site in London occupying the remaining eight floors.

We purchased a site in October 2015 at 1000 Santa Fe Avenue to be our second House in Los Angeles and will be known as Soho Warehouse, Downtown LA and situated in the Arts District. We completed a sale and leaseback transaction on the property in April 2017. The House will open in July 2019 and will enhance what is already a burgeoning area for the creative industries. Soho Warehouse, Downtown LA will occupy a former railroad parts factory on South Santa Fe Avenue. It will have a rooftop pool, club space, bedrooms and a Soho Active gym. As part of the sale and leaseback the Group entered into a development agreement with the landlord to develop and operate the property following completion. The agreements result in construction commitments and financing obligations in connection with the development with the landlord.

Our second House in Asia is situated in the Sheung Wan area of Hong Kong, and will be spread across the top six floors of a newly constructed 28-storey tower and contain everything from club space and a screening room, to a Soho Active gym and Soho Works. Soho House Hong Kong opens mid-September 2019 with Soho Works anticipated to open in 2020.

We have signed an agreement to lease a site in Austin, Texas. Scheduled to open in late 2020, this 50,000 square foot property, which forms part of a larger new development on South Congress Avenue, will be a House with 46 hotel rooms, a pool and cinema.

In addition we have either signed agreements to lease or term sheets for sites in Canouan Island in the Caribbean, Tel Aviv, Rome, Paris, Brighton, Mexico City, Los Cabos (Mexico), Milan, Nashville, Lisbon and Ludlow House extension. Other projects currently in the pipeline include 180 House in London, San Francisco, Hudson Valley (upstate New York) and Philadelphia.

The first Soho Works co-working space opened in Shoreditch, London in 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. In September 2017 the Group entered into a joint venture in respect of Soho Works UK sites. As part of the joint venture agreement, the joint venture has £40m of uncommitted funding available to roll out locations in Soho, Strand, White City, Brighton and other sites currently being identified.

In December 2018, the Group signed an agreement, which provided funding of up to \$40m (from external parties) and \$5m from the Group, in exchange for the transfer of 30% of the equity in that business to the external parties, for the roll out of its Soho Works concept in North America which will be a network of round-the-clock workspaces, designed and equipped to support a membership of individuals and businesses in the creative industries. We have signed leases in relation to Soho Works sites in Los Angeles, New York and London.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law, which, among other items, reduced the US federal corporate income tax rate from 35% to 21%. In relation to other tax changes introduced by the Act, the Group does not expect there to be a material impact on the financial statements or related disclosures. As the US entities do not have any controlled foreign corporations ("CFCs"), the Global Intangible Low-Taxed Income ("GILTI") provisions should not apply. Similarly, as the US operations are not expected to generate revenues in the foreseeable future in excess of \$500 million, the Company would not expect

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

Future developments (continued)

the Base Erosion and the Anti-Abuse Tax ("BEAT") to be applicable. However, the changes to introduce a new business interest restriction may be relevant in the future at the point the interest is actually paid. Currently, the Company's US interest deduction is already restricted under the provisions within Section 163j and Section 267 of the Internal Revenue Code. The Company continues to evaluate the provisions of the Act; however, as a consequence of the above, an estimate of any tax expense or benefit in relation to the business interest restriction has not been included.

Post balance sheet events

In February 2019, the Group refinanced its \$53.6m term loan, \$11.7m mezzanine loan and its preferred shares totalling \$15m issued to the former landlord to the Miami property. These loans were due March 2019 and April 2019.

The new term loan of \$55m and mezzanine loan of \$62m are secured on the underlying property and operations and are due February 2024. The loans are interest bearing at 5.34% and 7.25% taking the blended rate from 7.53% under the former facilities to 6.35% under the new facilities. The proceeds from the refinance of c. \$30m will be used for general corporate purposes.

In April 2019, the Group completed the acquisition of certain businesses in Greece for cash consideration of approximately €45.2m and funded by a combination of own cash and funding from the Permira facility. The existing businesses comprise a hotel and a beach club in Mykonos, Greece. The transaction also includes all future projects, including a restaurant currently under construction in Mykonos, to be rolled out with certain selling shareholders. Minority shareholders have retained between 16% and 25% ownership in the existing and future projects business.

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 for our Core business. 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.

	52 weeks ended 30 December 2018	52 weeks ended 31 December 2017
Gross profit margin – Core	83.7%	83.4%
Adjusted EBITDA margin – Core	14.5%	15.7%

Impact of Brexit

Following the outcome of the UK referendum to leave the EU, there are a number of uncertainties that continue to exist regarding how the exit will be engineered. Therefore, the extent to which our operations and financial performance are likely to be affected in the longer term will only become clear as more details emerge.

Failure to prepare for the UK's departure from the EU causes disruption to and creates uncertainty around our business including: our ability to recruit; as well as potentially impacting our relationships with suppliers and staff. These disruptions and uncertainties could have an adverse effect on our business, financial results and operations.

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

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 *(continued)*

Principal risks and uncertainties *(continued)*

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 Group 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. International, 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 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 individualised 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.

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

Principal risks and uncertainties (continued)

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 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.

We have debt, and we may incur additional indebtedness, which may negatively affect our business and financial results.

Our 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, U.S. dollars, Turkish lira and Canadian dollars, 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.

Soho House Holdings Limited

Strategic report for the period ended 30 December 2018 (continued)

Principal risks and uncertainties (continued)

Property could be disproportionately harmed by natural disasters, such as a hurricane and earthquakes.

Certain of our locations such as Miami, West Hollywood and Asia mean they are more susceptible to natural disasters than others, which could adversely affect the properties. While we maintain property and business interruption insurance, we carry large deductibles, and there can be no assurance that if a hurricane or other natural or man-made disaster or catastrophe should affect our operations, we would be able to maintain our current level of operations or profitability, or that property and business interruption insurance would adequately reimburse us for our losses.

Financial risk management objectives and policies

The group uses various financial instruments which include cash, trade debtors, trade creditors, loans and other financing 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.

i. Foreign exchange risk

As a result of the significant investment in operations in Europe and the United States of America, the Group's balance sheet and profit and loss can be significantly affected by movements in the Euro/sterling and USD/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 liquidity needs by monitoring scheduled capital expenditure commitments, interest and debt servicing payments as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day and 90 day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified at regular periodic intervals. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

iii. Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate deposits, bank loans and overdrafts. The Group's principal source of financing is its senior secured loan with Permira Debt Managers which has a minimum LIBOR rate.

iv. Credit risk

Credit risk is the risk of loss from amounts owed by customers and financial counterparties. Credit risk can occur at multiple levels; as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Financial instruments that potentially subject the Group to credit risk consist of cash and cash equivalents and accounts receivable in relation to its non-Core business. While the Group has a concentration of credit risk in relation to certain customers, this risk is mitigated by monthly payments on account and credit checks on customers.

The Group maintains cash and cash equivalents with major financial institutions. The Group's cash and cash equivalents consist of bank deposits held with banks that, at times, exceed government insured limits. The Group limits its credit risk by dealing with counterparties that are considered to be of high credit quality.

Soho House Holdings Limited

Strategic report
for the period ended 30 December 2018 (*continued*)

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.

Employee involvement

The flow of information to staff is 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

A handwritten signature in black ink, appearing to read 'NKA Jones', with a stylized flourish at the end.

N K A Jones

Director

30 April 2019

Soho House Holdings Limited

Report of the directors for the period ended 30 December 2018

The directors present their report together with the audited financial statements for the period ended 30 December 2018.

Results and dividends

The consolidated statement of comprehensive income is set out on page 18 and shows the loss for the period. The directors do not recommend any dividend be paid (31 December 2017 - £Nil).

Directors

The directors of the company during the period were:

R Burkle
R A Caring
N K A Jones
B B Nugent
M D Ein (appointed 13 August 2018)

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.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with United Kingdom Accounting Standards, 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 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 United Kingdom 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group 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 and descriptions of employee involvement policies in the strategic report on pages 2 to 13.

Soho House Holdings Limited

Report of the directors for the period ended 30 December 2018 (continued)

Auditors

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 Group'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 'N K A Jones'.

**N K A Jones
Director**

30 April 2019

Soho House Holdings Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOHO HOUSE HOLDINGS LIMITED

Opinion

We have audited the consolidated financial statements (the "financial statements") of Soho House Holdings Limited (the "Parent Company") and its subsidiaries (together "the Group") for the period from 1 January 2018 to 30 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 24 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 December 2018 and of the Group's and Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Soho House Holdings Limited

Independent auditor's report (continued)

Other information (continued)

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion;

- proper accounting records have not been kept by the Parent Company, or proper 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

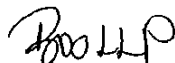
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditors' 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Iain Henderson
For and on behalf of BDO LLP
Chartered Accountants
London
Date: 30 April 2019

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

Soho House Holdings Limited

Consolidated statement of comprehensive income

		52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
	Note		
Turnover	4	432,531	360,136
Cost of sales		(102,523)	(89,665)
Gross profit		330,008	270,471
Administrative expenses		(350,936)	(289,220)
Other operating income	5	486	2,329
(Loss) / profit on disposal of fixed assets		(478)	144
Profit on disposal of joint ventures	3	-	1,470
Adjusted EBITDA*		56,442	50,493
Depreciation and amortisation	5	(40,074)	(37,112)
New site development costs	2	(12,382)	(8,337)
Non cash rent	2	(6,088)	(7,831)
Share of joint venture Adjusted EBITDA	2	(4,990)	(3,314)
Foreign exchange	5	(984)	217
Other exceptional items	2	(12,366)	(10,536)
(Loss) / profit on disposal of fixed assets		(478)	144
Profit on disposal of joint ventures	3	-	1,470
Group operating loss	5	(20,920)	(14,806)
Share of (loss) / profit on joint venture	12	(1,336)	312
Loss on ordinary activities before interest		(22,256)	(14,494)
Other interest receivable		1,159	264
Interest payable	8	(44,256)	(46,577)
Loss on ordinary activities before taxation		(65,353)	(60,807)
Taxation charge on loss on ordinary activities	9	(1,897)	(1,181)
Loss for the financial period		(67,250)	(61,988)

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

The notes on pages 24 to 57 form part of these financial statements.

Soho House Holdings Limited

Consolidated statement of comprehensive income

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Note		
Loss for the financial period	(67,250)	(61,988)
Exchange differences on foreign currency net investments	4,614	(6,206)
Other comprehensive income / (loss) for the period	4,614	(6,206)
Total comprehensive loss for period	(62,636)	(68,194)
Loss for the financial period attributable to:		
Non-controlling interest	18	(3)
Owners of the parent company	(67,268)	(61,985)
	(67,250)	(61,988)
Total comprehensive loss attributable to:		
Non-controlling interest	18	(3)
Owners of the parent company	(62,654)	(68,191)
	(62,636)	(68,194)

All amounts relate to continuing activities.

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

The notes on pages 24 to 57 form part of these financial statements.

Soho House Holdings Limited

Consolidated statement of financial position

<i>Company number 109634</i>		30 December	30 December	31 December	31 December
	Note	2018	2018	2017	2017
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		118,374		121,309
Tangible assets	11		384,633		313,401
Investments in joint ventures	12		9,491		9,669
Loans to joint ventures	12		13,748		15,057
			<hr/>		<hr/>
			526,246		459,436
Current assets					
Stocks	13	14,789		10,875	
Debtors:					
- due within one year	14	61,319		42,702	
- due after more than one year	14	1,906		7,337	
		<hr/>		<hr/>	
Total debtors		63,225		50,039	
Cash at bank and in hand	15	48,177		32,647	
		<hr/>		<hr/>	
		126,191		93,561	
Creditors: amounts falling due within one year	16	(265,275)		(134,458)	
		<hr/>		<hr/>	
Net current liabilities			(139,084)		(40,897)
Total assets less current liabilities			<hr/>		<hr/>
			387,162		418,539
			<hr/>		<hr/>

The notes on pages 24 to 57 form part of these financial statements.

Soho House Holdings Limited

Consolidated statement of financial position

	Note	30 December 2018 £'000	30 December 2018 £'000	31 December 2017 £'000	31 December 2017 £'000
Creditors: amounts falling due after more than one year	17		471,848		440,589
Capital and reserves					
Called up share capital	20	166,585		166,585	
Capital contributions		13,692		13,692	
Profit and loss account		(274,815)		(212,161)	
Equity attributable to owners of the parent company			(94,538)		(31,884)
Non-controlling interest			(148)		(166)
Preference shares in subsidiary undertaking	20		10,000		10,000
			<u>387,162</u>		<u>418,539</u>

The financial statements were approved by the board of directors and authorised for issue on 30 April 2019.



N K A Jones
Director

The notes on pages 24 to 57 form part of these financial statements.

Soho House Holdings Limited

Consolidated statement of changes in equity

	Share capital	Capital contributions	Profit and loss account	Equity attributable to owners of the parent company	Non- controlling interests	Preference shares in subsidiary undertaking	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 2 January 2017	166,585	13,692	(143,970)	36,307	(163)	10,000	46,144
Comprehensive loss for the period:							
Loss for the period	-	-	(61,985)	(61,985)	(3)	-	(61,988)
Other comprehensive income for the period:							
Exchange differences on foreign currency net investments	-	-	(6,206)	(6,206)	-	-	(6,206)
Total comprehensive loss for the period	-	-	(68,191)	(68,191)	(3)	-	(68,194)
At 31 December 2017	166,585	13,692	(212,161)	(31,884)	(166)	10,000	(22,050)
At 1 January 2018	166,585	13,692	(212,161)	(31,884)	(166)	10,000	(22,050)
Comprehensive loss for the period:							
Loss for the period	-	-	(67,268)	(67,268)	18	-	(67,250)
Other comprehensive income for the period:							
Exchange differences on foreign currency net investments	-	-	4,614	4,614	-	-	4,614
Total comprehensive loss for the period	-	-	(62,654)	(62,654)	18	-	(62,636)
At 30 December 2018	166,585	13,692	(274,815)	(94,538)	(148)	10,000	(84,686)

The notes on pages 24 to 57 form part of these financial statements.

Soho House Holdings Limited

Consolidated statement of cash flows

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Cash flows from operating activities		
Loss for the financial period	(67,250)	(61,988)
Adjustments for:		
Depreciation and amortisation of fixed assets	40,074	37,112
Loss on disposal of fixed assets	478	406
Profit on disposal of joint ventures	-	(1,470)
Share of loss / (profit) for the year of joint venture undertakings	1,336	(312)
Net interest payable	43,097	46,313
Taxation charge	1,897	1,181
Increase in trade and other debtors	(10,067)	(8,701)
Increase in stocks	(3,855)	(1,313)
Increase in trade and other creditors	61,329	31,398
Cash from operations	67,039	42,626
Interest paid	(27,820)	(33,362)
Taxation paid	(237)	(109)
Net cash generated from operating activities	38,982	9,155
Cash flows from investing activities		
Insurance proceeds in respect of tangible fixed assets	304	1,184
Proceeds from sale of tangible fixed assets	681	-
Purchases of tangible fixed assets	(79,678)	(41,753)
Purchases of intangible assets	(5,695)	(1,740)
Net cash disposed with subsidiary	-	(6,696)
Net investment in joint venture undertakings	(239)	(6,269)
Cash inflows from joint venture undertakings	2,666	7,732
Net cash used in investing activities	(81,961)	(47,542)
Cash flows from financing activities		
Permira Senior Facility – drawn	45,000	275,000
Revolving credit facility – drawn, net	597	3,962
Senior Secured Notes due 2018 – redeemed	-	(152,500)
PIK Notes - redeemed	-	(48,119)
Repayment of bank / other loans	(911)	(635)
Shareholder loans drawn	10,000	13,000
Shareholder loans repaid	-	(34,200)
Other loans	4,902	-
Capital element of lease repaid	(1,292)	(1,757)
Debt issue costs incurred	(1,212)	(11,304)
Net cash from financing activities	57,084	43,447
Net increase in cash and cash equivalents	14,105	5,060
Cash and cash equivalents at beginning of year	32,647	28,140
Foreign exchange gains and losses	1,425	(553)
Cash and cash equivalents at end of year	48,177	32,647

The notes on pages 24 to 57 form part of these financial statements.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018

1 Accounting policies

General information

Soho House Holdings Limited is a private company incorporated in Jersey under the Companies (Jersey) Law 1991. The Registered Office is Intertrust Secretaries (Jersey) Limited, 44 Esplanade, St Helier, Jersey, JE4 9WG. These financial statements are the first set of financial statements prepared for the Company from the date of incorporation of 15 December 2017 to 30 December 2018. Further information is included in note 1) c).

The group operates exclusive, private members clubs ("Houses") as well as hotels, restaurants and spas across major metropolitan cities including London, New York, Los Angeles, Miami, Chicago, Toronto, Berlin, Barcelona, Mumbai, Hong Kong and Istanbul. The Strategic Report sets out a detailed review of the group's business activities.

Statement of compliance

The group financial statements of Soho House Holdings 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") and in accordance with the requirements of the Companies (Jersey) Law 1991.

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.

a) Basis of Preparation

These consolidated financial statements 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 13. 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 13.

In assessing the going concern basis of preparation of the consolidated financial statements for the period ended 30 December 2018, the directors have taken into consideration detailed cash flow forecasts for the Group, the Group's forecast compliance with bank covenants and the continued availability of funding to the Group from banks and shareholders.

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 the period ended 30 December 2018.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

1 Accounting policies (continued)

c) Basis of consolidation

The group financial statements consolidate the financial statements of Soho House Holdings Limited and all its subsidiary undertakings as at 30 December 2018 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date control is obtained.

Soho House Holdings Limited was formed on 15 December 2017 with one share issued to Yucaipa American Alliance Fund II. Soho House Holdings Limited is a Jersey limited company that is tax domiciled in the United Kingdom. On 28 December 2017, Soho House Holdings Limited undertook a series of reorganisation transactions among entities under common control ("Reorganisation Transactions") through a share for share exchange, whereby existing shareholders contributed their shares in Soho House & Co Limited to Soho House Holdings Limited and, in return, received Class A Ordinary Shares, Class B Ordinary Shares, Class C Ordinary Shares and Class D Ordinary Shares in proportion to their previous ownership of the Class A Ordinary Shares and Class B Ordinary Shares in Soho House & Co Limited. The Class C Ordinary Shares and Class D Ordinary Shares were cancelled on December 28, 2017, as part of the Quentin disposal (as described in Note 3). Soho House Holdings Limited did not have any operations prior to the completion of the Reorganisation Transactions.

The financial statements have been prepared under the merger method of accounting because the transaction under which the entities were acquired was effectively a group reconstruction with no changes in the ultimate ownership of the group and all shareholdings were exchanged in a share for share exchange. Under the method, the results of the subsidiaries are presented in a continuation of the combined group. The result is to present the financial statements as if Soho House Holdings Limited has always owned the group, and comparatives have been prepared on this basis.

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 and 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 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.

d) 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 allowed by the Group and value added taxes.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

The Group bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 bedrooms 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.

Bedrooms

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.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

1 Accounting policies (continued)

e) 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 and is generally determined by qualified quantity surveyors. 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".

f) 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 profit and loss account over the directors' estimate of its useful economic life which is 20 years. Impairment tests on the carrying value of goodwill are undertaken:

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

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement.

g) Intangible assets other than goodwill

Trademarks are initially recognised in the balance sheet 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.

Website, software and product development costs, which are amortised over their estimated useful lives ranging from 5 – 10 years, comprise computer software purchased from third parties as well as the cost of internally developed software, product and website development. 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.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

1 Accounting policies (*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 are indicators that the carrying amount may be impaired.

h) 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
Freehold land	-	Not depreciated
Capitalised property lease	-	over period of lease on straight line basis
Short leasehold property	-	over period of lease on straight line basis
Motor vehicles	-	4 years straight line
Furniture and equipment	-	2-5 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. For assets under construction, the Group capitalises all specifically identifiable costs related to development activities as well as interest costs incurred while activities necessary to get the property ready for its intended use are in progress.

i) 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 and 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).

When the Group contributes or sells assets to a joint venture, the Group recognises only the portion of the gain or loss that is attributable to the interests of the other venturers. The Group recognises the full amount of any loss when the contribution or sale provides evidence of an impairment loss.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

1 Accounting policies (*continued*)

i) Joint ventures (continued)

The Group's share of the jointly controlled entity's profit and 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.

The 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 and 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.

j) Impairment of non-financial assets

At each balance sheet 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 profit and loss account.

k) 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 and is determined using a weighted average cost method.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

1 Accounting policies (continued)

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

l) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit and loss account, 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 balance sheet 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.

m) Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the reasonably assured term of the lease at inception. The charge to the profit and loss account 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 profit and loss account, to reduce the lease expense, on a straight-line basis over the remaining period of the lease. Incentives are recognised from the point that inflows of future economic benefits to the Group become virtually certain.

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 profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

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 Group'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 profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

1 Accounting policies (*continued*)

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account 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.

When a sale and leaseback transaction results in a finance lease no gain is immediately recognised for any excess of sales proceeds over the carrying amount of the asset. Instead, the proceeds are presented as a liability and subsequently measured at amortised cost using the effective interest method.

When a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

n) 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 profit and loss account in the period in which they become payable. Amounts not paid are shown in accruals in the balance sheet. 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 balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

o) Share based compensation

On 13 January 2012, Soho House Group headed by the Jersey registered company, Abertarff Limited was acquired by Soho House & Co Limited, another Jersey registered company and part of the Yucaipa Group of companies. As part of that transaction Soho House & Co Limited issued 4,469,417 B ordinary shares to its founder and CEO. These shares were restricted upon issuance and vest annually in equal installments over a five year service period, or cliff-vest at the time of a change of control transaction, if earlier. This issuance of shares is accounted for similar to a share option due to the consideration associated with the shares being due at the time of such shares being transferred or sold or, if earlier December 31, 2020. All B shares became fully vested on 12 January 2017. There have been no additional grants of B ordinary shares or any other share-based awards, no modifications of existing awards and no forfeitures subsequent to January 2012.

Share-based compensation is measured at the estimated fair value of the award on the grant date by applying the Black-Scholes option-pricing valuation model and recognised as an expense on a straight-line basis over

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

1 Accounting policies *(continued)*

the vesting period of the award. The Company does not reduce share-based compensation for an estimate of forfeitures, which are inconsequential in light of historical experience. The determination of fair value of these awards is subjective and involves significant estimates and assumptions including expected term of the awards, implied volatility of the Company's shares, expected dividend yield of zero and the risk-free rate.

Share-based compensation expense is recorded within administrative expense in the consolidated statements of operations.

p) 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. In respect of extinguished debt, the unamortised debt issuance costs in relation to those financial instruments results in the acceleration of those unamortised debt issuance costs.

q) 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.

r) Foreign currency

Presentation currency

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

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 balance sheet 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 profit and loss account.

Overseas operations

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

s) Reserves

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

Profit and loss account includes all current and prior period retained profits and losses.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

1 Accounting policies (*continued*)

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.

t) 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 and loss.

If there is a 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 and 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 and 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.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

1 Accounting policies (continued)

u) *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.

v) *Gains and losses on disposal of fixed assets*

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

w) *Insurance claims*

The Group maintains insurance policies to cover business interruption and property damage with terms that it believes to be adequate and appropriate. When the Group receives proceeds from the insurance claim in connection with property damage, which reimburses the replacement cost for repair or replacement of damaged assets, the proceeds are recognised as a reduction against the value of the assets written off. In addition business interruption proceeds reimburses the time-element of actual costs and lost profits following damage to property and are recognised in other operating income. Business interruption includes cost to expedite repairs, retention pay to workers temporarily displaced, and additional expenses to stay in business following damage to property which are recognised through the related expense line item. If there are any outstanding receivables in respect of insurance recoveries they are only recognised when the directors deem them to be virtually certain.

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. These decisions depend on an assessment of whether risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

1 Accounting policies (continued)

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 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.

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 balance sheet 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. Judgements include determining whether there are indicators of impairment of the Group's intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and whether it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

2 Other exceptional items

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

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Corporate strategic transaction costs	8,879	3,648
Contractual arrangements – losses incurred	1,238	-
Non-cash charges	514	-
Quentin loan note provision	-	4,288
Legal and settlement costs relating to employment matters and operational matters	517	387
Employment and sales taxes	-	843
Aborted project costs	101	930
Severance and contract termination / settlement costs	1,043	298
Other exceptional costs	74	142
	12,366	10,536

The corporate strategic transaction costs relate to legal and professional fees in respect of certain strategic corporate projects.

The Group has incurred losses of £1,238,000 (31 December 2017 - £nil) in connection with certain trading related contractual arrangements that commenced during the period.

Non-cash charges relate to a one time non cash accrual recorded in respect of its annual membership income.

The Group incurred legal and settlement costs relating to the settlement of legal claims and employment and operational matters along with associated professional costs and fees.

Employment and sales taxes represent the provision for and settlement of claims arising from prior periods, taking account of current interpretation of legacy tax legislation.

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 profit and loss account.

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

In addition to the above, the group has incurred certain non-recurring costs in relation to the opening and development of new sites of £12,382,000 (31 December 2017 - £8,337,000).

The non-cash rent expense of £6,088,000 (31 December 2017: £7,831,000) arises from the recognition of stepped rent increases and amortisation of lease incentives on a straight line basis over the lease term.

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 / (loss) on Joint Venture".

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (*continued*)

3 Profit on disposal of joint ventures

On 28 December 2017, the Group sold its 50% stake in Quentin Limited to related parties for consideration of £1. In the prior period the Group made a profit on disposal of £1,470,000 (net of transaction costs).

4 Business operating units

	Turnover		Adjusted EBITDA	
	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Analysis by class of business:				
Leisure	373,118	304,340	56,718	49,749
Home and Retail	18,747	15,895	201	148
Core ⁽¹⁾	391,865	320,235	56,919	49,897
Non-Core	40,666	39,901	(477)	596
	432,531	360,136	56,442	50,493

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

	Turnover		Adjusted EBITDA	
	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Analysis by geographical market:				
United Kingdom	221,871	182,955	11,178	15,389
North America	179,972	154,455	39,397	30,348
Europe and Rest of World	30,688	22,726	5,867	4,756
	432,531	360,136	56,442	50,493

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

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

5 Operating loss

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
This is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets	30,232	28,019
Amortisation of goodwill	8,197	8,267
Amortisation of other intangible fixed assets	1,645	826
Hire of other assets - operating leases	46,418	43,877
Fees payable to the Group's auditor for the auditing of the Group and subsidiary annual accounts	596	414
Fees payable to the Group's auditor for other services:		
- taxation advisory services	48	60
- taxation compliance services	116	188
- other assurance related services	695	770
Exchange differences	984	(217)
	<hr/>	<hr/>

In respect of certain insurance claims in North America, the Group has recognised insurance recoveries totalling £415,000 (31 December 2017 - £1,184,000) in connection with property damage which reimburses the replacement cost for repair or replacement of damaged assets. In addition business interruption proceeds reimbursed lost profits following damage to property totalling £486,000 (31 December 2017 - £2,329,000) recorded as other operating income. Proceeds were also received to reimburse costs to expedite repairs and retention pay to workers temporarily displaced totalling £1,189,000 (31 December 2017 - £1,046,000). At year end, there was an outstanding receivable in respect of insurance recoveries which the directors deemed recovery of to be virtually certain.

6 Employees

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

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Wages and salaries	143,363	109,622
Social security costs	15,270	13,029
Other pension costs	5,846	5,043
	<hr/>	<hr/>
	164,479	127,694
	<hr/>	<hr/>

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

6 Employees (continued)

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

	52 weeks ended 30 December 2018 Number	52 weeks ended 31 December 2017 Number
Administration	497	387
Operations	4,770	3,885
	<u>5,267</u>	<u>4,272</u>

7 Directors' remuneration

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Directors' emoluments	1,544	1,040
Group contributions to money purchase pension scheme	23	39
	<u>1,567</u>	<u>1,079</u>

The above remuneration relates to 1 director (31 December 2017 - 1) who was remunerated by the group.

During the current and prior period one employed director participated in a defined contribution pension scheme.

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 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Key management emoluments	3,633	2,381
Group contributions to money purchase pension scheme	55	41
	<u>3,688</u>	<u>2,422</u>

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (*continued*)

8 Interest payable

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Interest on Permira Senior Facility	26,663	14,206
Interest on PIK Notes	-	1,799
Interest on Senior Secured notes due 2018	-	4,462
Preference share interest	954	990
Bank loans and overdrafts	5,170	4,922
Amortisation of loan arrangement and non-utilisation fees	5,442	3,028
Finance lease interest	387	220
Capitalised property lease – financing interest	3,669	3,645
Shareholder loans – effective interest	1,425	1,296
Shareholder loans – interest	142	1,478
Other loans – interest	404	895
	<hr/>	<hr/>
	44,256	36,941
<i>Exceptional interest charges</i>		
Redemption premiums relating to former facilities	-	4,802
Accelerated amortisation of loan arrangement fees relating to former facilities	-	4,834
	<hr/>	<hr/>
	44,256	46,577
	<hr/>	<hr/>

The exceptional interest charges in 2017 related to the termination fees and accelerated amortisation of debt issuance costs in relation to the Group's re-financing.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (*continued*)

9 Taxation on loss on ordinary activities

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
<i>Corporation tax</i>		
Current tax	-	126
Foreign tax	1,378	397
Total current tax	1,378	523
<i>Deferred tax</i>		
Origination and reversal of timing differences	24	(354)
Amounts released in period	(69)	1,482
Amounts established in period - foreign tax	564	(470)
Movement in deferred tax provision (Note 14)	519	658
Taxation charge on loss on ordinary activities	1,897	1,181

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 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Loss on ordinary activities before tax	(65,353)	(60,807)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (31 December 2017 – 19.25%)	(12,417)	(11,705)
Effect of:		
Items not deductible for tax purposes	7,187	4,633
Differences between UK and overseas tax rates	604	(817)
Unutilised tax losses	6,715	9,425
Other effects of movement in deferred tax	(478)	(504)
Other differences	286	149
Total tax charge for the period	1,897	1,181

There are tax losses of £124,179,000 (31 December 2017 - £123,311,000) in the 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.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

9 Taxation on loss on ordinary activities *(continued)*

Factors that may affect future tax charges

A reduction in the UK corporate tax rate from 20% to 19% took effect from 1 April 2017. Further reduction in the UK corporate tax rate to 17% has been substantially enacted with effect from 1 April 2020. A reduction in the US federal income tax rate from 35% to 21% was substantially enacted on 22 December 2017 with effect from 31 December 2017.

10 Intangible fixed assets

	Trademarks	Website and software development costs	Goodwill	Total
	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>				
At 1 January 2018	3,310	4,893	164,226	172,429
Additions	77	5,618	-	5,695
Disposal	(1)	-	-	(1)
Reclassify	(453)	453	-	-
Transfer from tangible fixed assets (Note 11)	-	14	-	14
Foreign exchange	-	2	1,848	1,850
	<u>2,933</u>	<u>10,980</u>	<u>166,074</u>	<u>179,987</u>
At 30 December 2018				
<i>Amortisation</i>				
At 1 January 2018	803	1,114	49,203	51,120
Provided for the period	301	1,344	8,197	9,842
Reclassify	(156)	156	-	-
Foreign exchange	-	(2)	653	651
	<u>948</u>	<u>2,612</u>	<u>58,053</u>	<u>61,613</u>
At 30 December 2018				
<i>Net book value</i>				
At 30 December 2018	<u>1,985</u>	<u>8,368</u>	<u>108,021</u>	<u>118,374</u>
At 31 December 2017	<u>2,507</u>	<u>3,779</u>	<u>115,023</u>	<u>121,309</u>

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

11 Tangible fixed assets	Capitalised property	Freehold land and buildings	Leasehold land, buildings and premiums	Motor vehicles	Fixtures and fittings	Office equipment	Assets in the course of construction	Total
Group	lease							
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	55,349	119,132	84,265	1,229	73,664	9,931	53,373	396,943
Additions	-	-	18,304	117	18,163	3,824	53,614	94,022
Disposals	-	-	(546)	(55)	(3,113)	(499)	(384)	(4,597)
Transfer	-	-	11,333	-	9,781	178	(21,292)	-
Transfer to intangible fixed assets (Note 11)	-	-	-	-	-	-	(14)	(14)
Exchange adjustments	-	4,467	2,810	-	2,740	198	2,896	13,131
At 30th December 2018	55,349	123,619	116,166	1,291	101,235	13,632	88,193	499,485
<i>Depreciation</i>								
At 1 January 2018	2,317	10,690	24,698	696	39,483	5,658	-	83,542
Charge for the period	1,082	2,115	8,037	318	15,649	3,031	-	30,232
Disposals	-	-	(136)	(45)	(2,203)	(478)	-	(2,862)
Exchange adjustments	-	538	1,332	1	1,929	140	-	3,940
At 30th December 2018	3,399	13,343	33,931	970	54,858	8,351	-	114,852
<i>Net book value</i>								
At 30th December 2018	51,950	110,276	82,235	321	46,377	5,281	88,193	384,633
At 31 December 2017	53,032	108,442	59,567	533	34,181	4,273	53,373	313,401

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

11 Tangible fixed assets (continued)

During 2017, the Group entered into a lease arrangement for a property under construction which has been determined to be financing in nature. Included within assets under the course of construction is an asset of £38,758,000 (31 December 2017 - £19,729,000) of which £2,624,000 (31 December 2017 - £435,000) relates to interest capitalised at 8%. The corresponding liability is shown as "Capitalised property lease – finance lease" (Note 17).

12 Fixed asset investments

Group	Loans to joint ventures £'000	Investment in joint ventures £'000
<i>Cost or valuation</i>		
At 1 January 2018	15,057	9,669
Share of loss for the period	-	(1,336)
Exchange adjustments	62	289
Additions	175	1,988
Distributions from joint ventures	(1,142)	(660)
Net loans repaid by joint ventures	(316)	-
Reclassify from amounts due from joint ventures	(547)	-
Reclassify	459	(459)
	<hr/>	<hr/>
At 30 December 2018 (see Note 22)	13,748	9,491
	<hr/>	<hr/>

Additions in the period primarily relate to the Group's equity contributions to its Raycliff joint venture in connection with its purchase and development of a second property in Redchurch Street, London.

Joint ventures

Joint ventures listed on page 46 are private companies and there is no quoted market price available for their shares.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

12 Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments

The undertakings in which the group's parent company has an interest at the period end are 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 & Co Limited	Jersey	100%	Holding company
SHG Acquisition (UK) Limited	England	100%*	Holding company
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 Paris S.A.S	France	100%*	Leisure
Soho House Rome S.r.l.	Italy	100%*	Non-trading
Soho House Toronto Limited	England	100%*	Holding company
Cheeky Nails Limited	England	100%*	Dormant
Barber & Parlour Limited	England	100%*	Non-trading
Soho Townhouse Limited	England	100%*	Non-trading
Soho House CWH Limited	England	100%*	Leisure
Soho House (Management Services) Limited	England	100%*	Dormant
Soho House Toronto ULC	Canada	100%*	Holding company
Soho House US Corp	USA	99.7%*	Holding company
Soho House LLC	USA	99.7%*	Holding company
Soho House New York Inc	USA	99.7%*	Non trading
Soho House Beach House LLC	USA	99.7%*	Leisure
Soho House New York LLC	USA	99.7%*	Leisure
Soho House West Hollywood LLC	USA	99.7%*	Leisure
Soho House Chicago LLC	USA	99.7%*	Leisure
Ryder Properties LLC	USA	99.7%*	Property investment
Soho Ryder Acquisition LLC	USA	99.7%*	Holding company
Soho 139 Holdco LLC	USA	99.7%*	Holding company
Soho Ludlow Tenant LLC	USA	99.7%*	Leisure
Beach House JV, LLC	USA	99.7%*	Holding company
Beach House HoldCo., LLC	USA	99.7%*	Holding company
Beach House Owner, LLC	USA	99.7%*	Property company
Soho – Beer Garden, LLC	USA	99.7%*	Non-trading
1100 Acquisition, LLC	USA	99.7%*	Non-trading
L.A. 100 Santa Fe, LLC	USA	99.7%*	Non-trading
Soho-Cecconi's (Water Street) LLC	USA	99.7%*	Leisure
Little Beach House Malibu, LLC	USA	99.7%*	Leisure
Soho House CWH, LLC	USA	99.7%*	Leisure
Soho-Cipura Holdco, LLC	USA	99.7%*	Holding company
DTLA-Tenant, LLC	USA	99.7%*	Non trading
Soho Dumbo, Inc	USA	99.7%*	Non trading
Cowshed, LLC	USA	100%*	Beauty
In House Design and Build LLC	USA	99.7%*	Design and Build
Soho Works US AcquireCo LLC (formerly Soho Works LA, LLC)	USA	99.7%*	Holding company

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

12 Fixed asset investments (continued)

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
BN MidCo Limited	Jersey	100%*	Holding company
BN AcquireCo Limited	Jersey	100%*	Holding company
Abertarff Limited	Jersey	100%*	Holding company
Soho House Hong Kong Limited	Jersey	100%*	Holding company
US AcquireCo Inc	USA	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
Soho House (Finance) Sarl	Luxembourg	100%*	Holding company
Soho House Bond Limited	Jersey	100%*	Holding company
Cowshed Istanbul Perakende	Turkey	100%*	Holding company
Pazarlama ve Limited			
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
Soho House Amsterdam B.V. (formerly HTN F&B (Amsterdam) B.V.)	Netherlands	100%*	Leisure
SHA Dormant B.V. (formerly Soho House Amsterdam B.V.)	Netherlands	100%*	Holding company
<i>Joint ventures and associated undertakings</i>			
Soho Works North America, LLC	USA	50%*	Holding company
Soho Works LA, LLC	USA	50%*	Co-working
Soho Works NY, LLC	USA	50%*	Co-working
Soho Works Limited	England	100%*	Co-working
Soho House Toronto Partnership	Canada	50%*	Leisure
Soho House – Cipura (Miami), LLC	USA	50%*	Leisure
139 Ludlow Acquisition, LLC	USA	33.33%*	Property company
Raycliff Red LLP	England	50%*	Property and leisure company
Redchurch Partner Limited	England	50%*	Dormant
Raycliff Shoreditch Holdings LLP	England	50%*	Holding company
Mimea XXI S.L.	Spain	50%*	Holding company
Mirador Barcel S.L	Spain	50%*	Property company
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

Soho House Holdings Limited

**Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)**

13 Stocks

	30 December 2018 £'000	31 December 2017 £'000
Finished goods and goods for resale	7,819	5,721
Consumables	6,970	5,154
	<hr/> 14,789 <hr/>	<hr/> 10,875 <hr/>

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

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

14 Debtors

	30 December 2018 £'000	31 December 2017 £'000
Amounts receivable within one year		
Trade debtors	17,117	13,135
Amounts due from joint venture undertakings (Note 22)	9,643	1,934
Amounts due from related parties (Note 22)	5,015	2,893
Other debtors	4,690	7,767
Prepayments and accrued income	12,844	7,334
Amounts recoverable on contracts	12,010	9,639
	<hr/> 61,319	<hr/> 42,702
Amounts receivable after more than one year		
Amounts due from joint venture undertakings (Note 22)	-	4,992
Other debtors	1,842	1,763
Deferred taxation	64	582
	<hr/> 1,906	<hr/> 7,337
Total debtors	<hr/> 63,225	<hr/> 50,039
	<hr/>	<hr/>
	Group Deferred taxation	Group Deferred taxation
	30 December 2018 £'000	31 December 2017 £'000
At the beginning of the period	582	1,230
Charge to profit and loss account (Note 9)	(519)	(658)
Foreign exchange adjustment	1	10
	<hr/>	<hr/>
At the end of the period	64	582
	<hr/>	<hr/>

Included within Amounts due from joint venture and related party undertakings, due within one year, are balances totalling £12,959,000. To the extent the counter party is unable to do so, the Group does not intend to recall the amounts due, within one year.

Other debtors due in more than one year relate to rent deposits. The deferred tax asset relates to mainly losses which are expected to be utilised against future taxable profits.

15 Cash at bank and in hand

Cash at bank includes restricted cash of £10,571,000 (31 December 2017 - £9,708,000) in respect of security deposits and in connection with the Group's financing arrangements in Miami.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (*continued*)

16 Creditors: amounts falling due within one year

	30 December 2018 £'000	31 December 2017 £'000
Bank loans and overdrafts (secured) (Note 17)	82,928	30,989
Preference shares (secured) (Note 17)	11,814	-
Shareholder loan notes (unsecured) (Note 17 and 22)	10,000	-
Other loans (Note 17)	3,232	2,739
Trade creditors	33,843	20,075
Taxation and social security	11,348	7,416
Obligations under finance lease and hire purchase contracts (Note 17)	48	922
Capitalised property leases – finance lease (Note 17)	184	172
Other creditors	23,562	10,047
Accruals	47,633	32,606
Deferred income	40,683	29,492
	<u>265,275</u>	<u>134,458</u>

17 Creditors: amounts falling due after more than one year

	30 December 2018 £'000	31 December 2017 £'000
Shareholder loan notes (Note 22)	15,677	14,252
Bank loans (secured)	-	48,658
Preference shares (secured)	-	11,278
Permira Senior Facility due 2021	324,624	269,002
Obligations under finance lease and hire purchase contracts	-	48
Capitalised property leases – finance lease	91,224	73,313
Other loans	9,335	-
	<u>440,860</u>	<u>416,551</u>
Accruals (unamortised lease incentives)	30,988	24,038
	<u>471,848</u>	<u>440,589</u>

During 2015, 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". In addition during 2017, the Group entered into a lease arrangement for a property under construction which has been determined to be financing in nature as disclosed in note 11.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 *(continued)*

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

Maturity of debt:

	Bank loans and overdrafts	Preference shares	Finance leases	Shareholder loan notes	Permira Senior Facility	Other loans	Capitalised property lease	Total
	30 December 2018	30 December 2018	30 December 2018	30 December 2018	30 December 2018	30 December 2018	30 December 2018	30 December 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	82,928	11,814	48	10,000	-	3,232	184	108,206
In more than one year but not more than two years	-	-	-	15,677	-	417	197	16,291
In more than two years but not more than five years	-	-	-	-	324,624	6,585	677	331,886
In more than five years	-	-	-	-	-	2,333	90,350	92,683
	-	-	-	15,677	324,624	9,335	91,224	440,860

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

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

Maturity of debt:

	Bank loans and overdrafts	Preference shares	Finance leases	Shareholder loan notes	Pemira Senior Facility	Other loans	Capitalised property lease	Total
	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000
In one year or less, or on demand	30,989	-	922	-	-	2,739	172	34,822
In more than one year but not more than two years	48,658	11,278	48	-	-	-	184	60,168
In more than two years but not more than five years	-	-	-	14,252	269,002	-	633	283,887
In more than five years	-	-	-	-	-	-	72,496	72,496
	<u>48,658</u>	<u>11,278</u>	<u>48</u>	<u>14,252</u>	<u>269,002</u>	<u>-</u>	<u>73,313</u>	<u>416,551</u>

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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

In April 2017, the Group signed an agreement to refinance the majority of its existing debt to support future growth. The key elements were:

- A £275 million private senior secured loan ("Permira Senior Facility") with a five year maturity from closing at LIBOR + 7%; £250 million of this loan was drawn in April 2017 with the additional £25 million being drawn in October 2017. The facility is secured on a fixed and floating charge basis over the assets of the group;
- A further £100 million of available financing, under the Permira Senior Facility, to drive further global expansion of the business on the same terms; and
- Renewal of its revolving credit facility of £30 million plus £5 million accordion for a period of four and a half years. The facility comprises c. £27.1m relating to SHG Acquisition (UK) Limited and subsidiaries and \$10m relating to the US group. At 30 December 2018, the Group had £2.8m (31 December 2017 - £ 3.5m) remaining to draw against this facility. The facility is secured on a fixed and floating charge basis over the assets of the group.

In February 2018 and June 2018, the Company drew an additional £20 million and £25 million, respectively, under the Permira Senior Facility. The Permira Senior Facility is secured on a fixed and floating charge basis over the assets of the Company.

The Permira Senior Facility is net of unamortised finance costs of £7,913,000 (31 December 2017 - £9,142,000).

In connection with the Miami property acquisition in March 2014, certain subsidiaries entered into a \$55m loan agreement and a \$12m mezzanine agreement with Ladder Capital. The loan bears interest at the rate of 6.067% per annum and matures on 6 April 2019. The mezzanine facility bears interest at the rate of 13% per annum and also matures on 6 April 2019. As part of the transaction the former landlord to our Miami operations, received preferred shares totalling \$15m, of one of our Miami subsidiaries that pays an 8.5% coupon per annum for five years with a final \$15m payment in March 2019. These loans were refinanced in February 2019 (Note 24).

Bank loans within one year are net of unamortised finance costs of £729,000 (31 December 2017 - £893,000).

Other Loans

In January 2018, the Group entered into leases in connection with its Greek Street properties. As part of these leases, the landlord has funded a principal amount of £5m, which represents costs paid directly by the landlord which will be repaid by the Company. The Greek Street loans carry interest of 7.5%, are due for repayment in January 2028 and are unsecured. The principal balance at 31 December 2018 was £4.6m of which £381,000 is due within one year.

In June 2018, the Group received proceeds of \$6.5m (£5.1m) from the landlord of the Soho House Hong Kong property under a loan agreement. The loan has a 5-year term, with an interest rate of LIBOR + 7% payable annually. Principal is due on expiration of the loan.

In June 2018 the Group had an outstanding balance of \$3.7 m (£2.9m) under a loan agreement and described as Other Loans. The facility had an original maturity date in June 2018, which was extended until July 2019. Other loans are net of unamortised finance costs of £31,000 (31 December 2017 - £12,000).

Shareholder loan notes

The Shareholder loan notes falling due after more than one year are unsecured, non-interest bearing and repayable in September 2020 at a gross value of £18,500,000. The fair value of the Shareholder loan notes has been determined on a discounted cash flow basis with an imputed interest rate of 10%.

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

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

In October 2018 and November 2018, the group received funding from shareholders totalling £10m included within amounts falling due within one year. The shareholder loans carry interest at 8% and are repayable in June 2019. At 31 December 2018, interest of £142,000 had accrued and remained unpaid.

18 Financial Instruments

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

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Financial assets		
Financial assets measured at amortised cost	100,028	80,188
Financial liabilities		
Financial liabilities measured at amortised cost	685,091	537,901

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by joint ventures and associated undertakings and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise preference shares, bank loans, shareholder loans and overdrafts, trade creditors, other creditors and accruals.

Details relating to interest rates and the currency of the financial liabilities are given in Note 17.

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 in Note 17. All other financial assets and liabilities are non-interest bearing.

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

19 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 £5,846,000 (31 December 2017 - £5,043,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Soho House Holdings Limited

Notes forming part of the financial statements
for the period ended 30 December 2018 (continued)

20 Share capital

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
<i>Allotted, called up and fully paid</i>		
166,585,263 'A' ordinary shares of £1 each	166,585	166,585
4,469,417 'B' ordinary shares of £0.0001 each	-	-
	<u>166,585</u>	<u>166,585</u>

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

'B' ordinary shares have no voting rights. 'B' ordinary shareholders are entitled to income rights in proportion to the 'A' ordinary shareholders based on number of shares held only after £166,585,000 has been returned to the holders of 'A' ordinary shares.

In May 2016, the Soho House & Co Limited issued ten million, 7% redeemable preferred shares totalling £10 million to unrelated parties. These shares are redeemable by the holders upon an exit, such as an IPO, or sale of the Group and the cumulative dividends are only paid on redemption and therefore have been classified as equity. As of 30 December 2018 and 31 December 2017, redemption of the preferred shares was not probable.

21 Commitments under operating and finance leases

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

	Land and buildings 30 December 2018 £'000	Land and buildings 31 December 2017 £'000
Within one year	41,773	34,127
In two to five years	189,824	148,626
After five years	724,131	408,812
	<u>955,728</u>	<u>591,565</u>

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

Total of group future minimum lease payments under finance leases, including capitalised property leases::

	30 December 2018 £'000	31 December 2017 £'000
Within one year	9,006	4,968
In two to five years	36,873	34,341
After five years	143,431	148,718
	<u>189,310</u>	<u>188,027</u>

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

22 Related party disclosures

The Group is controlled by R Burkle through his control of the Yucaipa Group of companies, which have a majority shareholding in the group.

The Group 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

£18,500,000 unsecured, non-interest bearing Shareholder loan notes due September 2020 have been provided by Yucaipa (£11,167,000), Richard Caring (£5,866,000) and Nick Jones (£1,467,000), each being shareholders of the company.

In October 2018 and November 2018, £10,000,000 unsecured, interest bearing Shareholder loan notes were provided by Yucaipa (£6,556,000) and Richard Caring (£3,444,000) each being shareholders of the company. An interest expense of £142,000 (31 December 2017 - £nil) accrued on loans.

During 2016 £21,200,000 unsecured, interest bearing Shareholder loan notes due February 2018 were provided by Yucaipa (£13,899,000) and Richard Caring (£7,301,000) each being shareholders of the company. An interest expense of £1,394,000 had accrued during the period ended 31 December 2017 on the loans. In October 2017, the loans and all accrued interest totalling £23,762,000 was repaid to shareholders.

In March 2017 £13,000,000 unsecured, interest bearing Shareholder loan notes were provided by Yucaipa (£8,523,000) and Richard Caring (£4,477,000) each being shareholders of the company. An interest expense of £97,000 had accrued during the period ended 31 December 2017 on the loans. In April 2017, the loans and all accrued interest totalling £13,097,000 was repaid to shareholders.

During the period Non-Core services totalling £490,000 (31 December 2017 - £232,000) were provided to owners of the company. At 30 December 2018, £1,112,000 was due to the Group (31 December 2017 - £555,000) from the individuals.

Rental income from shareholders of the Group totalled £nil (31 December 2017 - £139,000). At 30 December 2018 £178,000 (31 December 2017 - £178,000) was due to the Group from the individuals.

During 2015 the Group entered into property lease arrangements with a company related by virtue of common shareholders. An amount of £703,000 rent has been charged to the income statement (31 December 2017 - £822,000) during the year and no amounts were outstanding at the current or prior year end.

Fees paid to related parties under consultancy agreements totalled £45,000 (31 December 2017 - £43,000).

Revenues from the Non-Core services business operation (as defined in Note 4) to various joint ventures totalled £10,465,000 (31 December 2017 - £5,643,000).

The Group has entered into a Management Services Agreement ("MSA") with Quentin Limited, a company related by common shareholders, in relation to certain centralised services being provided by the Group following the sale of the Group's 50% interest in Quentin Limited. A total of £188,000 (31 December 2017 - £335,000) was recharged to Quentin Limited.

The Group has also recognised income relating to Non-Core services provided to Quentin Limited totalling £8,583,000 (31 December 2017 - £616,000). At 31 December 2018 an amount of £1,472,000 (31 December 2017 - £13,000) was due from Quentin Limited, a company related by common shareholders, which is included in Amounts due from related party undertakings due within one year as shown below.

The Group has also recognised reimbursement of costs incurred by Group in respect of services provided to a related party, Quentin Limited, totalling £376,000 (31 December 2017 - £587,000).

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

22 Related party disclosures (continued)

The Group has recognised reimbursement of costs incurred by the Group in respect services provided to a related party totalling £958,000 (31 December 2017 - £1,604,000). At 30 December 2018 an amount of £104,000 (31 December 2017 - £230,000) was due from Poultry OpCo Limited and Poultry Tenant Limited, companies related by common shareholders.

The Group has recognised income relating to sales of products and revenue from Non-Core services from Poultry OpCo Limited and Poultry Tenant Limited totalling £1,287,000 (31 December 2017 - £2,493,000). At 30 December 2018 an amount of £295,000 (31 December 2017 - £627,000) was due from Poultry OpCo Limited and Poultry Tenant Limited, companies related by common shareholders.

The Group has recognised reimbursement of costs incurred by the Group in respect of services provided to a Joint Venture totalling £829,000 (31 December 2017 - £362,000).

The Group has recognised income relating to management from Soho House-Sydell, LLP totalling £2,061,000 (31 December 2017 - £1,186,000). At 30 December 2018 an amount of £207,000 (31 December 2017 - £348,000) was due from Soho House Sydell LLP, a joint venture.

The Group leases the Ludlow property from 139 Ludlow Acquisition LLC, a joint venture. This is a 25-year lease that commenced May 1, 2016. The rent expense associated with this lease was £2,566,000 (31 December 2017 - £2,778,000).

The Group has recognized interest income on a Loan Note due from Soho Works Limited of £887,000 (31 December 2017 - £nil) and £728,000 (31 December 2017 - £nil) was due from Soho Works Limited at 30 December 2018 in relation to interest income and included within Prepayments and accrued income. Further amounts due from Soho Works Limited are listed below.

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

Amounts due from / (to) joint venture undertakings due within one year – Note 14

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Soho Works Limited	2,242	1,817
Soho House Toronto Partnership	(502)	(356)
Soho House Cipura (Miami) LLC	1,146	200
Raycliff Red LLP	1,025	(539)
Mirador Barcel S.L. – trading	65	812
Mirador Barcel S.L. – loan	5,257	-
Little Beach House Barcelona S.L.	(35)	-
Mimea XXI S.L.	445	-
	<hr/> 9,643	<hr/> 1,934

Amounts due from related party undertakings due within one year

Quentin Limited and subsidiaries (Note 14)	5,015	2,893
	<hr/>	<hr/>

Soho House Holdings Limited

Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

22 Related party disclosures (continued)

Amounts owed by / (to) joint venture undertakings due after more than one year

	Group 30 December 2018 £'000	Group 31 December 2017 £'000
Soho Works Limited	10,175	10,000
Soho House Toronto Partnership	-	316
Raycliff Red LLP	3,414	3,414
Soho House - Cipura Miami, LLC	159	1,327
	<hr/> 13,748	<hr/> 15,057
Mirador Barcel S.L. – Note 14	-	4,992
	<hr/> 13,748	<hr/> 20,049

23 Capital Commitments and Contingencies

Capital expenditure commitments contracted for at the balance sheet date but not yet incurred total £25,843,000 in connection with the development agreement on Downtown LA and Soho House Hong Kong (31 December 2017 - £45,672,000).

The Group, along with joint venture partners, have provided rental guarantees in respect of the financing facilities in the Soho House Ludlow property.

The Group guarantees the obligations of Quentin Limited and certain of its subsidiaries under certain property leases with respect to any required rental or other payment or performance obligations under these leases. The current aggregate anticipated maximum exposure for rental and service charge payments under these guarantees is approximately £22,094,000 in any given year. The Group has not had to make any payments nor has it become obligated to make any payments under these rental guarantees. The Group believes the likelihood of having to perform under aforementioned lease payment guarantees was remote as of 30 December 2018 and 31 December 2017.

24 Post balance sheet events

In February 2019, the Group refinanced its \$53.6m term loan, \$11.7m mezzanine loan and its preferred shares totalling \$15m issued to the former landlord to the Miami property. These loans were due March 2019 and April 2019.

The new term loan of \$55m and mezzanine loan of \$62m are secured on the underlying property and operations and are due February 2024. The loans are interest bearing at 5.34% and 7.25% taking the blended rate from 7.53% under the former facilities to 6.35% under the new facilities. The proceeds from the refinance of c. \$30m will be used for general corporate purposes.

In April 2019, the Group completed the acquisition of certain businesses in Greece for cash consideration of approximately €45.2m and funded by a combination of own cash and funding from the Permira Senior Facility. The existing businesses comprise a hotel and a beach club in Mykonos, Greece. The transaction also includes all future projects, including a restaurant currently under construction in Mykonos, to be rolled out with certain selling shareholders. Minority shareholders have retained between 16% and 25% ownership in the existing and future projects business.