SHG Acquisition (UK) Limited

Report and Financial Statements

52 weeks ended

31 December 2017

Company Number 06395943

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Report and financial statements
for the period ended 31 December 2017

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The directors present their strategic report together with the audited financial statements for the 52 week period ended 31 December 2017.

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 23 year history, has become a coveted lifestyle brand with significant and proven 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 22 distinctive Houses across North America, the United Kingdom and Europe. Today, we are a community of more than 90,000 diverse, creative and loyal individuals, of which 80,000 pay 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 32,000 applicants who have applied since 1 January 2014.

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 are £625, $2,100 and €1,500 annually and Every House Membership fees are £1,650, $3,200 and €1,800 annually. As of 31 December 2017, 72% of our members had an Every House Membership, and we believe this percentage will continue to grow as we open additional Houses globally. We maintain a stable, supportive and loyal membership base with low attrition. In addition, our extensive global waiting list of over 32,000 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.

How We Generate Turnover *(continued)*

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 31 December 2017 was as follows: food and beverage accounted for 47% (1 January 2017–52%), membership and registration fee receipts accounted for 20% (1 January 2017–16%), accommodations accounted for 15% (1 January 2017–14%) and Home, Retail and other sales accounted for 18% (1 January 2017–18%).

Turnover

Turnover was £206.2m for the 52 weeks to 31 December 2017, compared to £175.2m for the 52 weeks to 1 January 2017, which represents an increase of £31.0m or 18%.

Our turnover from Core operations was £166.9m for the 52 weeks to 31 December 2017, compared to £156.1m for 52 weeks ended 1 January 2017, which represents an increase of £10.8m or 7%. The increase was driven by a growth in membership and registration fee turnover of £8.0m, accommodation turnover growth of £2.4m and an increase of turnover in Soho Home retail, Cowshed spa, treatments, product sales and other income of £3.0m partially offset by a reduction in food and beverage turnover of £2.6m.

Food and beverage turnover decreased £2.6m due to the temporary closure of Soho House, Greek Street, SKB and Café Boheme in March 2016 for a 21 month refurbishment as well as the closure of Lotti's, Amsterdam in quarter 1 of 2017. This resulted in a £5.0m reduction in food and beverage turnover. The reduction is offset by other sites including Soho House Berlin, Farmhouse, Cecconi's, Mayfair, 76 Dean Street and Shoreditch House having traded ahead of the comparable period.

Membership fee turnover increased primarily due to two key factors – (i) an overall increase in paying members from nearly 35,000 members at 1 January 2017 to 38,000 members at 31 December 2017 and (iii) in January 2017, we 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 both these factors contributed to the increase in membership and registration fee income.

Home and Retail turnover has increased since the comparable period primarily due to the first full year benefit 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. Cowshed turnover has increased since the comparable period due to an increase in strategic retail and commercial deals with selected partners driving sales growth.

Non-Core turnover primarily increased by £20.2m to £39.3m due to Soho House Design undertaking the design and fit out work at 40 Greek Street and White City House on behalf of the developers during 2017 as well as additional select private client projects.

Cost of Sales

Cost of sales was £66.1m for the 52 weeks to 31 December 2017, compared to £45.5m for the 52 weeks ended 1 January 2017, which represents an increase of £20.6m or 45%. The increase in cost of sales is mainly attributable to Soho House Design undertaking the design and fit out work at 40 Greek Street and White City House during 2017.

Cost of sales for Core operations (excluding Soho House Design) was £30.0m for the 52 weeks to 31 December 2017, compared to £28.9m for the 52 weeks ended 1 January 2017, which represents an increase of £1.1m or 4%. Cost of sales for Core operations as a percentage of Core turnover reduced to 18.0% for the 52 weeks ended 31 December 2017 from 18.5% for the 52 weeks ended 1 January 2017, primarily due to the membership income increasing turnover with a limited impact on cost of sales.

Cost of sales of non-Core were £36.1m, 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 £19.5m is in line with the increase in non- core turnover.

How We Generate Turnover *(continued)*

Gross Profit

Gross profit was £140.1m for the 52 weeks to 31 December 2017, compared to £129.8m for the 52 weeks ended 1 January 2017, which represents an increase of £10.3m or 8%.

Gross profit for Core operations was £136.9m for the 52 weeks to 31 December 2017, compared to £127.2m for the 52 weeks ended 1 January 2017, which represents an increase of £9.7m or 8%. As a percent of Core turnover, gross margin improved to 82.0% for the 52 weeks to 31 December 2017 from 81.5% for the 52 weeks ended 1 January 2017, primarily due to the increase in membership related revenue.

Administrative Expenses

Administrative expenses were £150.1m for the 52 weeks to 31 December 2017, compared to £140.1m for the 52 weeks ended 1 January 2017, which represents an increase of £10.1m or 7%. The increase in administrative expenses has been driven primarily by increased wages and salaries costs associated with sites and the new openings in the pipeline since the equivalent period last year which has also led to increased support personnel numbers and therefore higher salary and related people costs. In addition the Group made a £4.3m provision against a loan note receivable from Quentin Limited following the Group's disposal of its investment in the joint venture – see "Investment and Financing" below.

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 and other exceptional items, and including share of joint venture adjusted EBITDA is £21.3m (1 January 2017 - £15.3m) - growth on prior period of 39%.

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 Boheme*, *High Road House Brasserie*, *Cecconi's*, *Chicken Shop*, *Dirty Burger*, *Nava*, *Pizza East*, *Hoxton Grill* and *The Allis*. The restaurants are open to the public while also providing our members with convenient dining options.

Our food and beverage sales for the 52 weeks to 31 December 2017 were £78.0m with a food and beverage sales mix of 45% and 55%, respectively. For the 52 weeks to 1 January 2017 food and beverage sales were £80.6m with a food and beverage sales mix of 45% and 55%, respectively. This represents a 3% and 4% decrease in food and beverage sales respectively on the comparable period last year. Food and beverage turnover decreased £2.6m due to the temporary closure of Soho House, Greek Street, SKB and Café Boheme in March 2016 for a 21 month refurbishment as well as the sale of Lotti's, Amsterdam in quarter 1 of 2017. This represents a 3% and 3% increase in food and beverage sales respectively on the comparable period last year after making allowance for the closed sites.

How We Generate Turnover *(continued)*

Membership Income

As of 31 December 2017 the Group had over 38,000 members of which nearly 33,000 pay an annual membership, with nearly 16,000 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 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 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 31 December 2017 was £32.7m compared to £24.8m for the 52 weeks to 1 January 2017 representing a 32% increase on the comparable period last year.

Accommodations

As of 31 December 2017, we operated 441 rooms across our UK and European portfolio. Other than Dean Street Townhouse, all of our hotels are co-located within our Houses. Our portfolio is comprised of the following: 208 rooms in the U.K; 65 rooms, 20 apartments and 4 "loft" rooms in Berlin, 86 rooms and 1 apartment in Istanbul and 57 rooms in Barcelona. 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% (1 January 2017 – 91%) and the average room rate was £279 (1 January 2017 - £262) during the 52 weeks to 31 December 2017. Total accommodation sales for the 52 weeks to 31 December 2017 were £25.0m compared to £22.6m for the 52 weeks to 1 January 2017 representing an 11% increase on the comparable period last year.

Home, Retail and other

Our *Cowshed* brand consists of 14 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 operations, we also undertake construction and design projects for external third-party contracts. The work is predominantly completed for the landlords on properties where the Group intend to operate sites which allows us to maintain control of the quality and design of the Houses.

Geographic Business Review

United Kingdom

Existing sites have performed well in the current year with Adjusted EBITDA growth on the prior period – 76 Dean Street (30%), Farmhouse (>100%), High Road House (22%), Shoreditch House (20%) and Little House (25%) being the notable performances. For the Houses, this has been driven by increased new members across existing and recently opened Houses and the impact of the membership prices rises in January 2017.

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 has added 16 bedrooms in the property on Redchurch Street, London. The rooms are serviced by Shoreditch House. Phase 2 which is currently under development will add another 22 rooms plus an 85 cover Cecconi's restaurant and is due to open in October 2018.

Non-Core turnover increased by £20.2m to £39.3m primarily due to Soho House Design undertaking the design and fit out work at 40 Greek Street and White City House on behalf of the developers during 2017.

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

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 57-bedroom hotel. Since opening, the membership base has grown in line with our budget expectations.

As with all businesses in Turkey, Soho House Istanbul has been impacted by the political and macro-economic challenges currently prevailing over the country. Despite this, we have still managed efficiencies in operation by focusing on strict cost control discipline and retaining our membership base, two areas of focus that will continue to remain key as we look to a recovery in the remainder of 2018 and beyond as the economic positon in the country stabilise.

Support Office

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

The Group has continued to focus on efficiencies as well as trying to support and drive revenue. Management continues to invest in supporting the growth of the business which shows a strong pipeline of new developments in 2018 and further ahead – see "Future Developments".

The Group's loss for the financial period was £44.2m (1 January 2017 -£34.5m).

Geographic Business Review *(continued)*

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 £23.7m funded by a combination of landlord financing (£4.7m), landlord lease incentives (£2.2m) and own working capital. As the Group reached completion on major construction projects at Greek Street and White City, 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.

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 £1,500,000 (net of transaction costs). In addition, following the disposal, the Group has made a provision of £4,300,000 against its loan note due from Quentin Limited.

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 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 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 half years. The facility comprises c. £27.5m relating to the Group and $10m relating to the US Group. At 31 December 2017, the Group had £3.5m remaining to draw against this facility. The facility is secured on a fixed and floating charge basis over the assets of the Soho House.

As a result of the refinancing agreement, Soho House Bond Limited redeemed its Senior Secured Notes of £152.5m ahead of the October 2018 redemption date and retired its £40 million of PIK Notes, before the October 2019 maturity.

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

Recent developments

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

The redevelopment of the original Soho House site was completed in January 2018 and reopened in the same month. The 52,000-square foot, newly refurbished site includes the restoration of the Kettner's club into Kettner's Townhouse – a 33-bedroom Townhouse including restaurant and Champagne bar. The completed development houses Soho House Greek Street, Café Boheme which all reopened in January 2018, and a new Cecconi's Pizza Bar restaurant which opened in May 2018.

In May 2018, we opened White City House in west London. The White City House is part of the redevelopment of the former BBC television site in West London, with Soho House benefiting from 85,000 square feet of space containing the club, rooftop pool and terrace, The Allis, gym, screening room and 45 bedrooms and public and members' food and beverage offerings. We also opened our first House in Amsterdam in July 2018, our canal-side House in the art deco Bungehuis building on the Spuistraat. It has 79 bedrooms, a rooftop pool, a floor of club space and a Cecconi's as well as an Allis Bar and Cowshed Spa. Little Beach House in Garraf, 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 and opened in August 2018.

Recent developments *(continued)*

Future house openings outside of the UK include Soho House Mumbai (under a management agreement) - a 55,000 square foot beachfront house with 37 rooms, club, pool, screening room, and Cecconi's restaurant, is expected to open later in 2018. In 2019 we are planning to open our first House in the Asia-Pacific region, Soho House Hong Kong, plus another European House in Paris.

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 and other sites currently being identified.

Post balance sheet events

In March 2018 and June 2018 Soho House drew down £20m and £25m respectively, from its £100m Permira accordion facility.

In March 2018, the Group entered into a £5m loan arrangement with one of the Group's landlords to fund site specific capital expenditures.

In June 2018, the Group issued a Letter of Guarantee, secured by The Hongkong and Shanghai Banking Corporation Limited, Hong Kong, in place of a cash deposit totalling HKD 40.6m ($5m) in connection with its lease of Soho House Hong Kong. Subject to certain criteria, the bank guarantee reduces annually to HKD 32.4m ($4m) on the first anniversary of the Letter of Guarantee and HKD 24.3m ($3m) on the second anniversary.

In June 2018, the Group received proceeds of $6.5m 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.

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 31 December 2017	**52 weeks ended 1 January 2017**
Gross profit margin – Core	82.0%	81.5%
Adjusted EBITDA margin – Core	12.5%	9.6%

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.

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.

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 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.

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

28 September 2018

Report of the directors
for the period ended 31 December 2017

The directors present their report together with the audited financial statements for the period ended 31 December 2017.

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 (1 January 2017 - £Nil).

Directors

The directors of the company during the period were:

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

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have included information in relation to financial risk management objectives and policies, information on exposure to certain risks, post balance sheet events, future developments in the business, policies regarding the employment of disabled persons and descriptions of employee involvement policies in the strategic report on pages 2 to 12.

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

28 September 2018

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 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity 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 31 December 2017 and of the Group'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, 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.

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.

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.

BDO LLP

Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date 28 September 2018

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

	Note	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Turnover	4	**206,170**	175,211
Cost of sales		**(66,079)**	(45,459)
Gross profit		**140,091**	129,752
Administrative expenses		**(150,145)**	(140,051)
Loss on disposal of fixed assets		**(60)**	(95)
Profit on disposal of joint ventures	3	**1,470**	-
Adjusted EBITDA*		**21,321**	15,298
Depreciation and amortisation	5	**(19,220)**	(19,279)
New site development costs	2	**(1,698)**	(2,072)
Non cash rent	2	**(2,423)**	-
Share of joint venture Adjusted EBITDA	2	**(2,052)**	(757)
Foreign exchange	5	**297**	(1,664)
Other exceptional items	2	**(6,279)**	(1,825)
Loss on disposal of fixed assets		**(60)**	(95)
Profit on disposal of joint ventures	3	**1,470**	-
Group operating loss	5	**(8,644)**	(10,394)
Share of loss on joint venture	12	**(3,807)**	(3,206)
Loss on ordinary activities before interest and other income		**(12,451)**	(13,600)
Other interest receivable and similar income		**262**	640
Interest payable	8	**(30,581)**	(22,267)
Loss on ordinary activities before taxation		**(42,770)**	(35,227)
Taxation (charge) / credit on loss on ordinary activities	9	**(1,401)**	745
Loss for the financial period		**(44,171)**	(34,482)

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

SHG Acquisition (UK) Limited

Consolidated statement of comprehensive income

	Note	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Loss for the financial period		**(44,171)**	(34,482)
Exchange differences on foreign currency net investments		**147**	599
Other comprehensive income for the period		**147**	599
Total comprehensive loss for period		**(44,024)**	(33,883)

All amounts relate to continuing activities.
* Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, foreign exchange, new site development costs, non-cash rent, 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	31 December 2017 £'000	31 December 2017 £'000	1 January 2017 £'000	1 January 2017 £'000
Fixed assets					
Intangible assets	10		**38,089**		39,261
Tangible assets	11		**147,081**		142,414
Investments in joint ventures	12		**3,606**		4,067
Loans to joint ventures	12		**13,730**		8,486
			202,506		194,228
Current assets					
Stocks	13	**8,660**		7,583	
Debtors:					
- due within one year	14	**52,068**		40,381	
- due after more than one year	14	**8,587**		9,303	
Total debtors		**60,655**		49,684	
Cash at bank and in hand	15	**12,623**		15,772	
		81,938		73,039	
Creditors: amounts falling due within one year	16	**(143,410)**		(124,605)	
Net current liabilities			**(61,472)**		(51,566)
Total assets less current liabilities			**141,034**		142,662
Creditors: amounts falling due after more than one year	17		**255,163**		212,767
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		**(159,432)**		(115,408)	
Equity attributable to owners of the parent company			**(114,129)**		(70,105)
			141,034		142,662

The financial statements were approved by the board of directors and authorised for issue on 28 September 2018.

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	31 December 2017 £'000	31 December 2017 £'000	1 January 2017 £'000	1 January 2017 £'000
Fixed assets					
Fixed asset investment	12		**101,321**		101,321
Current assets					
Debtors:					
- due within one year	14	**100,936**		82,462	
- due after more than one year	14	**56**		56	
Total debtors		**100,992**		82,518	
Cash at bank and in hand		**274**		-	
		101,266		82,518	
Creditors: amounts falling due within one year	16	**(61,181)**		(57,740)	
Net current liabilities			**40,085**		24,778
Total assets less current liabilities			**141,406**		126,099
Creditors: amounts falling due after more than one year	17		**196,904**		155,589
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		**(100,801)**		(74,793)	
Equity attributable to owners of the parent company			**(55,498)**		(29,490)
			141,406		126,099

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 £26,008,000 (1 January 2017 – loss of £17,017,000).

The financial statements were approved by the board of directors and authorised for issue on 28 September 2018.

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 4 January 2016	-	40,619	4,684	(81,525)	(36,222)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(34,482)	(34,482)
Other comprehensive income for the period:					
Exchange differences on foreign currency net investments	-	-	-	599	599
Total comprehensive loss for the period	-	-	-	(33,883)	(33,883)
At 1 January 2017	-	40,619	4,684	(115,408)	(70,105)
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 income 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)

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 4 January 2016	-	40,619	4,684	(57,776)	(12,473)
Comprehensive loss for the period:					
Loss for the period	-	-	-	(17,017)	(17,017)
Total comprehensive loss for the period	-	-	-	(17,017)	(17,017)
At 1 January 2017	-	40,619	4,684	(74,793)	(29,490)
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)

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

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 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 on pages 2 to 12. 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 12.

In assessing the going concern basis of preparation of the consolidated financial statements for the period ended 31 December 2017, 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 31 December 2017.

c) Parent company disclosure exemptions

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

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 & Co Limited as at 31 December 2017 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 31 December 2017 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date control is obtained.

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

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

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

1 Accounting policies *(continued)*

e) Turnover

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

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.

Software 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. 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.

1 **Accounting policies** *(continued)*

h) Intangible assets other than goodwill

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

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

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

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

i) Tangible fixed assets and depreciation

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

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

Freehold property	-	between 50-100 years
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
Fixtures, fittings and equipment	-	4-5 years straight line
Office equipment	-	2-4 years straight line

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

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.

A Group discontinues the use of the equity method when it ceases to have joint control. Where a jointly controlled entity is disposed of, the gain/loss is the difference between the proceeds less the carrying amount relating to the proportion disposed of. In addition, the gain or loss includes amounts recognised in other comprehensive income in relation to the jointly controlled entity that are required to be reclassified to profit 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.

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

Stock is valued at the lower of cost or market (net realizable value) and cost is determined using a weighted-average cost method. Inventories consist of raw materials, service stock and supplies (primarily food and beverage) and finished goods which are externally sourced.

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

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.

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.

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

Translation

The results arising on consolidation of overseas operations are translated at the average rates of exchange during the year and the 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.

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.

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.

2 Other exceptional items

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

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Quentin loan note provision	**4,288**	-
Legal and settlement costs relating to employment matters	**236**	-
Employment and sales taxes	**447**	-
Aborted project costs	**928**	647
Severance and contract termination costs	**237**	575
Site closure costs	**-**	543
Other exceptional costs	**143**	60
	6,279	1,825

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 has 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 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 Soho House Greek Street, Café Boheme and SKB for a complete refurbishment.

In addition to the above, the Group has incurred certain non-recurring costs in relation to the opening and development of new sites of £1,698,000. (1 January 2017 - £2,072,000).

The non-cash rent expense of £2,423,000 (1 January 2017: £nil) 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 on Joint Venture".

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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Analysis by class of business:				
Leisure	**151,011**	143,051	**20,679**	14,443
Home and Retail	**15,895**	13,053	**148**	790
Core [1]	**166,906**	156,104	**20,827**	15,233
Non-Core	**39,264**	19,107	**494**	65
	206,170	175,211	**21,321**	15,298

(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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Analysis by geographical market:				
United Kingdom	**143,692**	133,426	**14,922**	12,767
North America	**488**	648	**1,149**	792
Europe	**22,726**	22,030	**4,756**	1,674
	166,906	156,104	**20,827**	15,233
Non-Core	**39,264**	19,107	**494**	65
	206,170	175,211	**21,321**	15,298

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

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 tangible 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.

5 Operating loss

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
This is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets	15,237	15,511
Amortisation of goodwill	3,158	3,159
Amortisation of other intangible fixed assets	825	609
Hire of other assets - operating leases	21,361	16,502
Fees payable to the company's auditor for the auditing of the company's annual accounts	11	10
Fees payable to the company's auditor or an associate of the company's auditor for other services:		
- the audit of the company's subsidiaries	377	230
- taxation compliance services	149	95
- other assurance related services	770	-
Exchange differences	(297)	1,664

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

6 Employees

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

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Wages and salaries	66,004	61,182
Social security costs	7,321	5,645
Other pension costs	913	591
	74,238	67,418

6 Employees *(continued)*

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

	52 weeks ended 31 December 2017 Number	52 weeks ended 1 January 2017 Number
Administration	**305**	267
Operations	**2,282**	2,246
	2,587	2,513

7 Directors' remuneration

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Directors' emoluments	**1,946**	1,292
Group contributions to money purchase pension scheme	**40**	75
Compensation for loss of office	**-**	258

The total amount payable to the highest paid director in respect of emoluments was £1,040,000 (1 January 2017 - £1,039,000). Group pension contributions of £40,000 (1 January 2017 - £50,000) were made to a money purchase scheme on their behalf.

The above remuneration relates to 2 directors (1 January 2017 - 2 directors) who are remunerated by the Group.

During the period one director participated in money purchase pension schemes (1 January 2017 – 2).

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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Key management emoluments	**2,381**	2,392
Group contributions to money purchase pension scheme	**41**	76

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

8 Interest payable

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Bank loans and overdrafts	**765**	1,191
Loans from parent companies	**18,182**	16,815
Amortisation of loan arrangement and non-utilisation fees	**297**	402
Finance lease interest	**163**	162
Capitalised property lease – financing interest	**3,645**	3,677
Other loan interest	**586**	20
	23,638	22,267
Exceptional interest charges		
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**	-
	30,581	22,267

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

9 Taxation on loss on ordinary activities

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Corporation tax		
Current tax	**127**	53
Foreign tax	**287**	-
Total current tax	**414**	53
Deferred tax		
Origination and reversal of timing differences	**(30)**	(1,587)
Amounts released in period	**1,482**	789
Amounts established in period - foreign tax	**(465)**	-
Movement in deferred tax provision (Note 14)	**987**	(798)
Taxation charge / (credit) on loss on ordinary activities	**1,401**	(745)

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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Loss on ordinary activities before tax	**(42,770)**	(35,227)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (1 January 2017 – 20%)	**(8,233)**	(7,045)
Effect of:		
Items not deductible for tax purposes	**2,801**	2,216
Differences between UK and overseas tax rates	**309**	-
Deferred tax not recognised	**5,982**	3,286
Other effects of movement in deferred tax	**369**	789
Share of joint venture deferred tax - adjustment in respect of prior years	**-**	19
Other differences	**173**	(10)
Total tax charge / (credit) for the period	**1,401**	(745)

There are tax losses of £30,505,000 (1 January 2017 - £28,863,000) 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.

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
Cost or valuation				
At 2 January 2017	3,699	1,700	63,329	68,728
Additions	16	1,723	-	1,739
Reclassify	(246)	246	-	-
Disposal of subsidiary undertaking (Note 25)	(36)	-	-	(36)
Transfer from tangible fixed assets (Note 11)	-	1,102	-	1,102
At 31 December 2017	**3,433**	**4,771**	**63,329**	**71,533**
Amortisation				
At 2 January 2017	1,210	-	28,257	29,467
Provided for the period	128	697	3,158	3,983
Reclassify	(405)	405	-	-
Disposal of subsidiary undertaking (Note 25)	(6)	-	-	(6)
At 31 December 2017	**927**	**1,102**	**31,415**	**33,444**
Net book value				
At 31 December 2017	**2,506**	**3,669**	**31,914**	**38,089**
At 1 January 2017	2,489	1,700	35,072	39,261

11 Tangible fixed assets	**Capitalised property lease**	**Freehold land and buildings**	**Leasehold land and buildings**	**Motor vehicles**	**Fixtures, fittings and equipment**	**Office equipment**	**Assets in the course of construction**	**Total**
Group								
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 2 January 2017	54,837	22,806	44,574	1,218	50,814	9,839	5,628	189,716
Additions	512	-	1,066	82	1,976	711	19,342	23,689
Disposals	-	-	(56)	(24)	(1,177)	(206)	(354)	(1,817)
Disposal of subsidiary undertaking (Note 25)	-	-	(2,666)	-	(1,037)	(290)	(83)	(4,076)
Transfer to intangibles (Note 10)	-	-	928	-	112	12	(2,154)	(1,102)
Exchange adjustments	-	-	291	-	616	42	-	949
At 31 December 2017	**55,349**	**22,806**	**44,137**	**1,276**	**51,304**	**10,108**	**22,379**	**207,359**
Depreciation								
At 2 January 2017	1,246	1,813	11,779	477	26,845	5,142	-	47,302
Provision for the period	1,072	302	3,556	290	7,994	2,023	-	15,237
Disposals	-	-	(27)	(24)	(965)	(114)	-	(1,130)
Disposal of subsidiary undertaking (Note 25)	-	-	(1,313)	-	(370)	(107)	-	(1,790)
Exchange adjustments	-	-	109	-	515	35	-	659
At 31 December 2017	**2,318**	**2,115**	**14,104**	**743**	**34,019**	**6,979**	**-**	**60,278**
Net book value								
At 31 December 2017	**53,031**	**20,691**	**30,033**	**533**	**17,285**	**3,129**	**22,379**	**147,081**
At 1 January 2017	53,591	20,993	32,795	741	23,969	4,697	5,628	142,414

11 Tangible fixed assets *(continued)*

In addition, the net book value of assets held under other finance leases is £1,926,000 (1 January 2017 - £2,652,000). The deprecation charge for assets held under finance leases is £732,000 (1 January 2017 - £725,000).

12 Fixed asset investments

Group	**Loans to joint ventures £'000**	**Investment in joint ventures £'000**
Cost or valuation		
At 2 January 2017	8,486	4,067
Share of loss for the period	-	(3,807)
Quentin loan note provision	(4,288)	-
Reclassified (see below)	(2,411)	-
Exchange adjustments	-	(162)
Additions	-	4,003
Acquired on disposal of subsidiary to joint venture (Note 25)	10,000	(2,467)
Net loans (repaid) / advanced joint ventures	1,943	-
Disposal of joint venture	-	1,972
At 31 December 2017	**13,730**	**3,606**

During the period the the Group sold its 50% stake in Quentin Limited to its parent company, Soho House Holdings Limited, who in turn sold the 50% stake to related parties for consideration of £1 – see Note 3.

Items disclosed as "Reclassified" relate to the above transactions.

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 45 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**
Cost or valuation			
At 2 January 2017 and 31 December 2017	96,638	4,683	101,321

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
Subsidiary undertakings			
Soho House Limited	England	100%*	Leisure
Soho House UK Limited	England	100%*	Leisure
Soho House Properties Limited	England	100%*	Property investment
Cowshed Products Limited	England	100%*	Cosmetics
NBJ Leisure Limited	England	100%*	Non trading
Soho House Berlin GmbH	Germany	100%*	Leisure
Soho House Toronto Limited	England	100%*	Holding company
Cheeky Nails Limited	England	100%*	Dormant
Barber & Parlour Limited	England	100%*	Non-trading
Soho Townhouse Limited	England	100%*	Dormant
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
Joint ventures and associated undertakings			
Soho Works Limited	England	100%*	Co-working
Soho House Toronto Partnership	Canada	50%*	Leisure
Raycliff Red LLP	England	50%*	Holding company
Raycliff Shoreditch Holdings LLP	England	50%*	Property company
Mimea XXI S.L.	Spain	50%*	Holding company
Mirador Barcel S.L	Spain	50%*	Property company
Soho House - Sydell LLP	UK	50% *	Holding company

12 Fixed asset investments *(continued)*

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 31 December 2017 £'000	**Group 1 January 2017 £'000**
Finished goods and goods for resale	**5,721**	4,644
Consumables	**2,939**	2,939
	8,660	7,583

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.

14 Debtors

	Group 31 December 2017 £'000	Group 1 January 2017 £'000	Company 31 December 2017 £'000	Company 1 January 2017 £'000
Amounts receivable within one year:				
Trade debtors	12,350	8,639	-	-
Amounts due from group undertakings	-	-	96,785	78,286
Amounts due from parent undertakings	3,516	2,655	2,037	2,037
Amounts due from related group undertakings	18,070	13,604	2,101	1,774
Amounts due from joint ventures undertakings (Note 22)	2,651	2,447	-	-
Other debtors	1,529	2,330	13	365
Prepayments and accrued income	5,626	6,094	-	-
Amounts recoverable on contracts	8,326	4,612	-	-
	52,068	40,381	100,936	82,462
Amounts receivable after more than one year:				
Amounts due from joint ventures undertakings	4,992	4,730	-	-
Other debtors (rent deposits)	56	56	56	56
Deferred taxation	3,539	4,517	-	-
	8,587	9,303	56	56
Total debtors	60,655	49,684	100,992	82,518

	Group Deferred taxation 31 December 2017 £'000	Group Deferred taxation 1 January 2017 £'000	Company Deferred taxation 31 December 2017 £'000	Company Deferred taxation 1 January 2017 £'000
At the beginning of the period	4,517	3,697	-	-
Credited to income statement (Note 9)	(987)	798	-	-
Foreign exchange adjustment	9	22	-	-
At the end of the period	3,539	4,517	-	-

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

15 Cash at bank and in hand

Cash at bank includes restricted cash of £nil (1 January 2017 - £6,200,000) relating to potential development of certain projects.

16 Creditors: amounts falling due within one year

	Group 31 December 2017 £'000	Group 1 January 2017 £'000	Company 31 December 2017 £'000	Company 1 January 2017 £'000
Bank loans and overdrafts (secured)	**23,971**	20,171	**23,971**	20,410
Amounts due to parent undertakings	**42,953**	42,954	**36,623**	36,623
Amounts due to related group undertakings	**12,013**	9,029	**446**	475
Amounts due to joint ventures	**539**	44	-	-
Trade creditors	**14,342**	11,804	-	13
Taxation and social security	**5,767**	6,311	-	-
Obligations under finance lease and hire purchase contracts	**701**	1,026	-	-
Capitalised property lease – finance lease (Note 11)	**172**	160	-	-
Other creditors	**6,894**	7,216	-	-
Accruals and deferred income	**36,058**	25,890	**141**	219
	143,410	124,605	**61,181**	57,740

17 Creditors: amounts falling due after more than one year

	Group 31 December 2017 £'000	Group 1 January 2017 £'000	Company 31 December 2017 £'000	Company 1 January 2017 £'000
Amounts due to parent undertakings	**196,904**	155,590	**196,904**	155,589
Amounts due to related group undertakings - Soho House Finance SARL	-	3,116	-	-
Obligations under finance lease and hire purchase contracts	**48**	744	-	-
Capitalised property lease – finance lease (Note 11)	**53,584**	53,317	-	-
Accruals (unamortised lease incentives)	**4,627**	-	-	-
	255,163	212,767	**196,904**	155,589

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".

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

Maturity of debt:

Group	Bank loans and overdrafts	Finance leases	Capitalised property lease	Total	Bank loans and overdrafts	Finance leases	Capitalised property lease	Total
	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	31 December 2017 £'000	1 January 2017 £'000	1 January 2017 £'000	1 January 2017 £'000	1 January 2017 £'000
In one year or less, or on demand	23,971	701	172	24,844	20,171	1,026	160	21,357
In more than one year but not more than two years	-	48	184	232	-	699	171	870
In more than two years but not more than five years	-	-	633	633	-	45	587	632
In more than five years	-	-	52,767	52,767	-	-	52,559	52,559
	-	48	53,854	53,632	-	744	53,317	54,061

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

Bank loans within one year are net of unamortised finance costs of £893,000 (1 January 2017 - £731,000).

In April 2017, the 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 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 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 half years. The facility comprises c. £27.5m relating to SHG Acquisition (UK) Limited and subsidiaries and $10m relating to the US Group. At 31 December 2017, the Group had £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 October 2017 the Group exercised the £5 million extension on its revolving credit facility, taking its total availability under the facility to £35 million.

18 Financial Instruments

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

	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Financial assets		
Financial assets measured at amortised cost	**69,517**	58,719
Financial liabilities		
Financial liabilities measured at amortised cost	**379,060**	319,091

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.

Financial liabilities measured at amortised cost comprise preference shares, bank loans, shareholder 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 £913,000 (1 January 2017 - £591,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

20 Share capital

	31 December 2017 £'000	1 January 2017 £'000
Allotted, called up and fully paid		
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 31 December 2017 £'000	Land and buildings 1 January 2017 £'000
Within one year	**15,907**	12,958
In two to five years	**69,910**	49,711
After five years	**195,197**	100,849
	281,014	163,518

In addition the Group pays turnover related rents 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:

	31 December 2017 £'000	1 January 2017 £'000
Within one year	**4,645**	4,995
In two to five years	**15,413**	16,070
After five years	**62,548**	65,628
	82,606	86,693

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.

Related Party Transactions

Fees paid to related parties under consultancy agreements totalled £43,000 (1 January 2017 - £62,000).

Rental income from shareholders of the Group totalled £139,000 (1 January 2017 - £218,000). At 31 December 2017 £178,000 (1 January 2017 - £36,000) was due to the Group from the individuals.

During the period Non-Core services totalling £69,000 (1 January 2017 - £nil) where provided to owners of the company. At 31 December 2017, £12,000 was due to the Group (1 January 2017 - £nil) from the individuals.

Revenues from the Non-Core services business operation (as defined in Note 4) to various joint ventures totalled £6,259,000 (1 January 2017 - £8,310,000).

The Group has a Management Services Agreement ("MSA") with Quentin Limited, a related party, 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 £335,000 (1 January 2017 - £464,000) was recharged to Quentin Limited.

The Group has recognised income relating to management and development fees from Soho House-Sydell, LLP totalling £1,186,000 (1 January 2017 - £448,000). At 31 December 2017 an amount of £348,000 (1 January 2017 - £448,000) was due from Soho House Sydell LLP, a company related by common shareholders.

The Group has recognised reimbursement of costs incurred by the Group in respect services provided to a related party totalling £1,604,000 (1 January 2017 - £1,162,000). At 31 December 2017 an amount of £230,000 (1 January 2017 - £389,000) 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 £2,493,000 (1 January 2017 - £nil). At 31 December 2017 an amount of £627,000 (1 January 2017 - £nil) was due from Poultry OpCo Limited and Poultry Tenant Limited, companies related by common shareholders.

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

Amounts due from joint venture undertakings due within one year – Note 14	**Group 31 December 2017 £'000**	**Group 1 January 2017 £'000**
Soho Works Limited	**1,840**	-
Soho House Toronto Partnership	-	61
Quentin Limited and subsidiaries	-	1,049
Mirador Barcel S.L.	**811**	1,337
	2,651	2,447

22 Related party disclosures *(continued)*

Amounts due to joint venture undertakings due within one year – Note 16	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Raycliff Red LLP	539	44

Amounts due from related undertakings due within one year – Note 14	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Soho House New York, LLC	7,447	7,447
Soho House West Hollywood, LLC	715	715
Soho House Beach House, LLC	933	458
Soho House Chicago, LLC	3,392	3,059
Soho-Ludlow, LLC	943	953
Soho House US Corp	327	-
Soho-Cecconi's (Water Street), LLC	107	-
Soho Dumbo, LLC	45	-
Soho House CWH, LLC	63	-
In House Design & Build, LLC	187	-
L.A. 1000 Santa Fe LLC	13	13
Soho Works, LLC	1	1
Little Beach House Malibu, LLC	840	823
Soho House Finance SARL	136	135
Quentin Limited	2,921	-
	18,070	13,604

Amounts due to related undertakings due within one year – Note 16	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Soho House New York, LLC	7,887	7,990
Soho House New York, Inc	16	18
Soho House West Hollywood, LLC	1,285	1,021
Soho House Toronto Partnership	46	
Soho House Finance SARL	2,752	-
Quentin Limited	27	-
	12,013	9,029

22 Related party disclosures *(continued)*

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

	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Soho Works Limited	**10,000**	-
Soho House Toronto Partnership	**316**	623
Quentin Limited and subsidiaries	**-**	4,449
Raycliff Red LLP	**3,414**	3,414
	13,630	8,486

Amounts due from joint venture undertakings due after more than one year

Mirador Barcel S.L. – Note 14	**4,992**	4,730

23 Capital Commitments and Contingencies

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 £24,800,000 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 31 December 2017 and 1 January 2017.

24 Post balance sheet events

In March 2018 and June 2018 Soho House exercised £20m and £25m respectively extension on its Permira accordion facility.

In March 2018, the Group entered into a £5m loan arrangement with one of the Group's landlords to fund capital expenditures.

In June 2018, the Company issued a Letter of Guarantee, secured by The Hongkong and Shanghai Banking Corporation Limited, Hong Kong, in place of a cash deposit totalling HKD 40.6m ($5m) in connection with its lease of Soho House Hong Kong. Subject to certain criteria, the bank guarantee reduces annually to HKD 32.4m ($4m) on the first anniversary of the Letter of Guarantee and HKD 24.3m ($3m) on the second anniversary.

In June 2018, the Company received proceeds of $6.5m 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.

25 Disposal of subsidiary undertakings

On 29 September 2017 the Group granted to two unrelated individuals an option to subscribe for 30% of the issued shares in Soho Works Limited. Following the grant of the options and in accordance with the joint venture agreement, the two option holders have a right to appoint two directors to the board at any time. To date the option has not yet been exercised and neither have the option holders appointed any board members. In accordance with FRS102, the Group has equity accounted for its investment in Soho Works Limited on a 100% basis as the option holders have not exercised their options. The joint venture agreement relates to the business in the UK only.

There was no profit or loss on disposal in connection with the move from consolidating Soho Works Limited as a subsidiary to equity accounting for the joint venture as the Group holds 100% of the equity in the joint venture until the options are exercised.

26 Ultimate parent company and parent undertaking of larger group

The immediate parent company of SHG Acquisition (UK) Limited at 31 December 2017 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 & Co Limited, incorporated in Jersey. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3VZ. No other group accounts include the results of the company.

Soho House & Co Limited

Report and Financial Statements

52 weeks ended

31 December 2017

Company Number 109634

Soho House & Co Limited

Report and financial statements
for the period ended 31 December 2017

Contents

Page:

Directors

R Burkle
R A Caring
N K A Jones
B B Nugent

Secretary and registered office

Intertrust Secretaries (Jersey) Limited, 44 Esplanade, St Helier, Jersey, JE4 9WG

Company number

109634

Auditor

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

The directors present their strategic report together with the audited financial statements for the 52 week period ended 31 December 2017.

Principal activities

Soho House & Co (the "Group") is a leading global private membership club which, over our 23 year history, has become a coveted lifestyle brand with significant and proven 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 19 distinctive Houses across North America, the United Kingdom and Europe. The opening of Soho House Dumbo at the end of May 2018 will take Houses to 20. Today, we are a community of more than 78,000 diverse, creative and loyal individuals, of which 71,000 pay 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 51,000 applicants, of which 27,000 have applied since 1 January 2014. We currently operate 19 Houses, 3 townhouses, 17 public restaurants, 14 spas, 2 cinemas and 574 hotel rooms across the portfolio.

Access to our Houses is reserved exclusively for members and a select number of their guests as well as our hotel guests during their stay. Membership is highly selective 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 are £625, $2,100 and €1,500 annually and Every House Membership fees are £1,650, $3,200 and €1,800 annually. As of 31 December 2017, 72% of our members had an Every House Membership, and we believe this percentage will continue to grow as we open additional Houses globally. We maintain a stable, supportive and loyal membership base with low attrition (which has averaged less than 5.0% per annum over the last three years). In addition, our extensive global waiting list of over 51,000 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 the provision of food and beverage in our Houses and restaurants. Our average Core turnover mix for the 52 weeks ended 31 December 2017 was as follows: food and beverage accounted for 50% (1 January 2017–53%), membership and registration fee receipts accounted for 25% (1 January 2017–21%), accommodations accounted for 12% (1 January 2017–13%) and Home, Retail and other sales accounted for 13% (1 January 2017–13%).

How We Generate Turnover *(continued)*

Turnover

Turnover was £360.1m for the 52 weeks to 31 December 2017, compared to £293.4m for the 52 weeks to 1 January 2017, which represents an increase of £66.7m or 23%.

Our turnover from Core operations was £320.2m for the 52 weeks to 31 December 2017, compared to £273.6m for 52 weeks ended 1 January 2017, which represents an increase of £46.7m or 17%. The increase was driven by an increase in food and beverage turnover of £14.9m, a growth in membership and registration fee turnover of £23.0m, accommodation turnover growth of £4.2m and an increase of turnover in Soho Home retail, Cowshed spa, treatments, product sales and other income of £4.6m.

Food and beverage turnover increased £11.1m due to the opening of Cecconi's Dumbo in June 2017 and the full year trading in relation to 2016 openings - Little Beach House Malibu and Ludlow House. Other sites including Farmhouse, Babington House, 76 Dean Street, Shoreditch House, Soho House Berlin, Soho House New York and Soho House Chicago have all traded ahead of the comparable period.

Membership fee turnover increased primarily due to three key factors – (i) the full year impact of the opening of Little Beach House Malibu and Ludlow House, New York which opened in 2016 (ii) an overall increase in paying members from nearly 60,000 members at 1 January 2017 to 71,000 members at 31 December 2017 and (iii) in January 2017, we 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.

Home and Retail turnover has increased since the comparable period primarily due to the full year impact of the launch of Soho Home 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. Cowshed turnover has increased since the comparable period due to an increase in strategic retail and commercial deals with selected partners driving sales growth.

Non-Core turnover increased by £20.1m to £39.9m due to Soho House Design undertaking the design and fit out work at 40 Greek Street and White City House on behalf of the developers during 2017 as well as additional private client projects.

Cost of Sales

Cost of sales was £89.7m for the 52 weeks to 31 December 2017, compared to £62.7m for the 52 weeks ended 1 January 2017, which represents an increase of £26.9m or 43%. The increase in cost of sales is mainly attributable to Soho House Design undertaking the design and fit out work at 40 Greek Street and White City House during 2017.

Cost of sales for Core operations (excluding Soho House Design) was £53.6m for the 52 weeks to 31 December 2017, compared to £46.2m for the 52 weeks ended 1 January 2017, which represents an increase of £7.4m or 16%. Cost of sales for Core operations as a percentage of Core turnover reduced to 16.7% for the 52 weeks ended 31 December 2017 from 16.9% for the 52 weeks ended 1 January 2017, primarily due to the membership income increasing turnover with a limited impact on cost of sales.

Cost of sales of non-Core were £36.1m, 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 £19.5m is in line with the increase in turnover.

Gross Profit

Gross profit was £270.5m for the 52 weeks to 31 December 2017, compared to £230.7m for the 52 weeks ended 1 January 2017, which represents an increase of £39.8m or 17%.

Gross profit for Core operations was £266.6m for the 52 weeks to 31 December 2017, compared to £227.4m for the 52 weeks ended 1 January 2017, which represents an increase of £39.2m or 17%. As a percent of Core turnover, gross margin improved to 83.3% for the 52 weeks to 31 December 2017 from 83.1% for the 52 weeks ended 1 January 2017, primarily due to the increase in member revenue.

How We Generate Turnover *(continued)*

Administrative Expenses

Administrative expenses were £289.2m for the 52 weeks to 31 December 2017, compared to £252.4m for the 52 weeks ended 1 January 2017, which represents an increase of £38.0m or 15%. The increase in administrative expenses has 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 and therefore higher salary and related people 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 and other exceptional items, and including share of joint venture adjusted EBITDA is £50.5m (1 January 2017 - £31.7m) - growth on prior period of 59%.

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 Boheme*, *High Road House Brasserie*, *Cecconi's*, *Chicken Shop*, *Dirty Burger*, *Nava*, *Pizza East*, *Hoxton Grill* and *The Allis*. The restaurants are open to the public while also providing our members with convenient dining options.

Our food and beverage sales for the 52 weeks to 31 December 2017 were £158.6m with a food and beverage sales mix of 47% and 53%, respectively. For the 52 weeks to 1 January 2017 food and beverage sales were £143.7m with a food and beverage sales mix of 46% and 54%, respectively. This represents a 13% and 8% increase in food and beverage sales respectively on the comparable period last year.

Membership Income

As of 31 December 2017 we had over 78,000 members of which 71,000 pay an annual membership, with over 51,000 potential members on our global waiting list. Membership is generally reserved for individuals from the film, media and creative industries and each application must be supported by two existing members. Applications are then vetted by a committee of current members on a quarterly basis.

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

How We Generate Turnover *(continued)*

Membership and registration fee income for the 52 weeks to 31 December 2017 was £80.8m compared to £57.7m for the 52 weeks to 1 January 2017 representing a 40% increase on the comparable period last year.

Accommodations

As of 31 December 2017, we operated fourteen boutique hotels comprised of 574 rooms across our global portfolio. Other than Dean Street Townhouse, all of our hotels are co-located within our Houses. Our portfolio is comprised of the following: 208 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 and 57 rooms in Barcelona. 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% (1 January 2017 – 90%) and the average room rate was £306 (1 January 2017 - £284) during the 52 weeks to 31 December 2017. Total accommodation sales for the 52 weeks to 31 December 2017 were £40.1m compared to £35.9m for the 52 weeks to 1 January 2017 representing a 12% increase on the comparable period last year.

Home, Retail and other

Our *Cowshed* brand consists of 14 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 operations, we also undertake construction and design projects for external third-party contracts. The work is predominantly completed for the landlords on properties where the Group intend to operate sites which allows us to maintain control of the quality and design of the Houses.

Geographic Business Review

United Kingdom

Existing sites have performed well in the current year with Adjusted EBITDA growth on the prior period – 76 Dean Street (30%), Farmhouse (>100%), High Road House (22%), Shoreditch House (20%) and Little House (25%) being the notable performances. For the Houses, this has been driven by the impact of the 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 has added 16 bedrooms in the property on Redchurch Street, London. The rooms are serviced by Shoreditch House. Phase 2 which is currently under development will add another 22 rooms plus 85 cover restaurant.

Non-Core turnover increased by £20.0m to £39.9m primarily due to Soho House Design undertaking the design and fit out work at 40 Greek Street and White City House on behalf of the developers during 2017.

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

Geographic Business Review *(continued)*

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

The North American business has grown year on year with revenue up 23% and Adjusted EBITDA increasing by 68%, both in local currency. The EBITDA growth has been primarily driven by membership fee turnover which has increased due to the factors discussed above.

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. In June 2017 there was a fire a Soho House Chicago which resulted in certain floors and a number of bedrooms being closed for a significant period of time. The Group maintains insurance policies to cover business interruption and physical property.

Ludlow House in New York opened in May 2016. This is our second New York site occupying 24,000 square feet in the Lower East side of Manhattan, of which we have a 33% freehold property interest. The House is arranged over four floors and contains a living room, parlour, and several food and beverage offerings including Lou's Kitchen & Bar, an open kitchen serving American-Mediterranean food; Ducked-Up, our rooftop Asian restaurant serving duck and vegetarian options; and The Velvet Room, a club-within-a-club for member events, live performances and a twenty-two seat screening room. The House is performing in line with expectations and has a strong membership profile of approximately 3,500 members.

Little Beach House Malibu opened in June 2016. Our second House on the West Coast is a small, local club for the creative community of Malibu and the surrounding coastal areas with terraces and ocean views. There is a membership supplement to existing Every House members. The House is performing in line with expectations and has a strong membership base of approximately 1,500 members.

Europe

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 57-bedroom hotel. Since opening, the membership base has grown in line with our budget expectations.

As with all businesses in Turkey, Soho House Istanbul has been impacted by the political and macro-economic challenges currently prevailing over the country. Despite this, we have still managed efficiencies in operation by focusing on strict cost control discipline and retaining our membership base, two areas of focus that will continue to remain key as we look to a recovery in 2018 as the economic positon in the country stabilise.

Support Office

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

The Group has continued to focus on efficiencies as well as trying to support and drive revenue. Management continues to invest in supporting the growth of the business which shows a strong pipeline of new developments in 2018 and further ahead – see "Future Developments".

The Group's loss for the financial period was £62.0m (1 January 2017 -£57.7m).

Geographic Business Review *(continued)*

Investment and Financing

The Group has continued to invest in the growth of the business as well as maintenance of existing units to keep our properties to the highest standards. The Group has funded the various investments in the current year from its own working capital as well as completing a sale and lease back on a Downtown LA property.

The Group has capitalised tangible fixed assets totalling £71.2m funded by a combination of landlord financing (£19.7m), landlord lease incentives (£5.6m) and own working capital. As the Group reached completion on major construction projects at Greek Street and White City, 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 £2.3m receivable, predominantly in relation to an insurance claim resulting from a fire at Soho House Chicago. Of the £2.3m, £1.2m is in relation to tangible fixed assets.

In March 2017, the Group received funding from shareholders totalling £13m, which was repaid in April 2017.

During the prior period, the group received funding from shareholders totalling £21.2m. The shareholder loans including accrued interest at 8% and were repaid in October 2017.

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 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 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 half years. The facility comprises c. £27.5m relating to SHG Acquisition (UK) Limited and subsidiaries and $10m relating to the North American business. At 31 December 2017, the Group had £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.

As a result of the refinancing agreement, Soho House Bond Limited redeemed its Senior Secured Notes of £152.5m ahead of the October 2018 redemption date and retired its £40 million of PIK Notes, before the October 2019 maturity.

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.

Furthermore, the Group's facilities used to finance the Miami property are due for repayment in March 2019 and April 2019. The directors are currently reviewing their strategic options in connection with the Miami freehold property. The directors are confident that they will be able to execute a refinance of the facility. Taking account of the above, 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 White City and Little Beach House Brighton. The White City House will be part of the redevelopment of the former BBC television site in West London, with Soho House benefiting from 85,000 square feet of space containing the club, gym, public and members' food and beverage offerings, cinema, and a rooftop pool. The White City House opened in the second quarter of 2018.

Future developments *(continued)*

The redevelopment of the original Soho House site was completed in January 2018 and reopened in the same month. The 52,000-square foot, newly refurbished site includes the restoration of the Kettner's club into Kettner's Townhouse – a 33-bedroom Townhouse including restaurant and Champagne bar. The completed development houses Soho House Greek Street, Café Boheme which all reopened in January 2018, and a new Cecconi's restaurant due to open in Q2 2018.

Future house openings outside of the UK include Soho House Mumbai (under a management agreement) - a 55,000 square foot beachfront house with 37 rooms, club, pool, screening room, and Cecconi's restaurant, due to open in 2018, Soho House Dumbo - a 24,000-square foot House on the 6th and 7th floors of the same Dumbo building as Cecconi's in Brooklyn, New York, expected to open in 2018, and Soho House Amsterdam, our canal-side House will be opening in the summer of 2018 in the art deco Bungehuis building on the Spuistraat. It will have 79 bedrooms, a rooftop pool, a floor of club space and a Cecconi's as well as an Allis Bar and Cowshed Spa.

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 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 2019 and will enhance what is already a burgeoning area for the creative industries. As part of the sale and leaseback the Group has 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.

We have signed an agreement to lease a site in Austin, Texas. Scheduled to open in 2020, this 50,000 square foot property, which forms part of a larger new development on South Congress Avenue, will be a House with 38 bedrooms, a spa and two public restaurants.

In addition we have either signed agreements to lease or term sheets for sites in Hong Kong, Paris, Milan and Little Beach House, Barcelona.

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.

The Group is also currently undertaking a strategic review to consider its options for the roll out of its Soho Works concept in North America. We have a lease in relation to a Soho Works site in Los Angeles and additional Soho Works sites are planned for Los Angeles (second site), New York and Chicago.

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 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 March 2018 the Group exercised a £20 million extension on its Permira accordion facility.

In March 2018, there was a kitchen fire at Soho House Ludlow. The Group is currently assessing the impact but does not expect there to be a material impact on the business. The Group maintains insurance policies to cover business interruption and property damage with terms that it believes to be adequate and appropriate

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 bsuiness. 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 31 December 2017	52 weeks ended 1 January 2017
Gross profit margin – Core	83.4%	83.1%
Adjusted EBITDA margin – Core	15.7%	11.5%

Impact of Brexit

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

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

Principal risks and uncertainties

In addition to the opportunities we have to grow and develop our business, the 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.

Principal risks and uncertainties ***(continued)***

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.

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.

Principal risks and uncertainties *(continued)*

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.

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

Certain of our locations such as Miami and West Hollywood 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.

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

N K A Jones

Director

4 May 21018

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

N K A Jones
Director

4 May 2018

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SOHO HOUSE & CO LIMITED

Opinion

We have audited the consolidated financial statements ("the financial statements") of Soho House & Co Limited and its subsidiaries (together "the Group") for the 52 week period ended 31 December 2017 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 26 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 31 December 2017 and of the Group'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 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 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.

Use of our report

This report is made solely to the 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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Group, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the 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 determines 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 at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

Iain Henderson
For and on behalf of BDO LLP
Chartered Accountants
London
Date 4th May 2018

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

Report of the directors
for the period ended 31 December 2017

The directors present their report together with the audited financial statements for the period ended 31 December 2017.

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 (1 January 2017 - £Nil).

Directors

The directors of the company during the period were:

R Burkle
R A Caring
N K A Jones
B B Nugent

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 and 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 & Co Limited

Consolidated statement of comprehensive income

	Note	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Turnover	4	**360,136**	293,430
Cost of sales		**(89,665)**	(62,739)
Gross profit		**270,471**	230,691
Administrative expenses		**(289,220)**	(252,434)
Other operating income	5	**2,329**	-
Profit on disposal of fixed assets		**144**	977
Profit on disposal of joint ventures	3	**1,470**	-
Adjusted EBITDA*		**50,493**	31,699
Depreciation and amortisation	5	**(37,112)**	(36,036)
New site development costs	2	**(8,337)**	(7,721)
Non cash rent	2	**(7,831)**	(2,767)
Share of joint venture Adjusted EBITDA	2	**(3,314)**	(1,569)
Foreign exchange	5	**217**	(1,623)
Other exceptional items	2	**(10,536)**	(3,726)
Profit on disposal of fixed assets		**144**	977
Profit on disposal of joint ventures	3	**1,470**	-
Group operating loss	5	**(14,806)**	(20,766)
Share of profit / (loss) on joint venture	12	**312**	(3,088)
Loss on ordinary activities before interest and other income		**(14,494)**	(23,854)
Other interest receivable and similar income		**264**	641
Interest payable	8	**(46,577)**	(35,436)
Loss on ordinary activities before taxation		**(60,807)**	(58,649)
Taxation (charge) / credit on loss on ordinary activities	9	**(1,181)**	952
Loss for the financial period		**(61,988)**	(57,697)

The notes on pages 24 to 59 form part of these financial statements.

Soho House & Co Limited

Consolidated statement of comprehensive income

	Note	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Loss for the financial period		**(61,988)**	(57,697)
Exchange differences on foreign currency net investments		**(6,206)**	20,775
Other comprehensive (loss) / income for the period		**(6,206)**	20,775
Total comprehensive loss for period		**(68,194)**	(36,922)
Loss for the financial period attributable to:			
Non-controlling interest		**(3)**	(32)
Owners of the parent company		**(61,985)**	(57,665)
		(61,988)	(57,697)
Total comprehensive loss attributable to:			
Non-controlling interest		**(3)**	(32)
Owners of the parent company		**(68,191)**	(36,890)
		(68,194)	(36,922)

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 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 59 form part of these financial statements.

Soho House & Co Limited

Consolidated statement of financial position

Company number 109634	Note	31 December 2017 £'000	31 December 2017 £'000	1 January 2017 £'000	1 January 2017 £'000
Fixed assets					
Intangible assets	10		**121,309**		129,400
Tangible assets	11		**313,401**		284,469
Investments in joint ventures	12		**9,669**		6,509
Loans to joint ventures	12		**15,057**		17,899
			459,436		438,277
Current assets					
Stocks	13	**10,875**		9,782	
Debtors:					
- due within one year	14	**42,702**		28,789	
- due after more than one year	14	**7,337**		7,983	
Total debtors		**50,039**		36,772	
Cash at bank and in hand	15	**32,647**		28,140	
		93,561		74,694	
Creditors: amounts falling due within one year	16	**(134,458)**		(110,553)	
Net current liabilities			**(40,897)**		(35,859)
Total assets less current liabilities			**418,539**		402,418

The notes on pages 24 to 59 form part of these financial statements.

Soho House & Co Limited

Consolidated statement of financial position

	Note	31 December 2017 £'000	31 December 2017 £'000	1 January 2017 £'000	1 January 2017 £'000
Creditors: amounts falling due after more than one year	17		**440,589**		356,274
Capital and reserves					
Called up share capital	20	**166,585**		166,585	
Capital contributions		**13,692**		13,692	
Profit and loss account		**(212,161)**		(143,970)	
Preference shares	20	**10,000**		10,000	
Equity attributable to owners of the parent company			**(21,884)**		46,307
Non-controlling interest			**(166)**		(163)
			418,539		402,418

The financial statements were approved by the board of directors and authorised for issue on 4 May 2018

N K A Jones
Director

The notes on pages 24 to 59 form part of these financial statements.

Soho House & Co Limited

Consolidated statement of changes in equity

	Share capital	Capital contributions	Profit and loss account	Preference shares	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 4 January 2016	**166,585**	**13,692**	**(107,080)**	**-**	**73,197**	**(131)**	**73,066**
Comprehensive loss for the period:							
Loss for the period	-	-	(57,665)	-	(57,665)	(32)	(57,697)
Other comprehensive income for the period:							
Exchange differences on foreign currency net investments	-	-	20,775	-	20,775	-	20,775
Total comprehensive loss for the period	**-**	**-**	**(36,890)**	**-**	**(36,890)**	**(32)**	**(36,922)**
Issue of preference shares	-	-	-	10,000	10,000	-	10,000
At 1 January 2017	**166,585**	**13,692**	**(143,970)**	**10,000**	**46,307**	**(163)**	**46,144**
At 2 January 2017	**166,585**	**13,692**	**(143,970)**	**10,000**	**46,307**	**(163)**	**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)**	**10,000**	**(21,884)**	**(166)**	**(22,050)**

The notes on pages 24 to 59 form part of these financial statements.

Soho House & Co Limited

Consolidated statement of cash flows

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Cash flows from operating activities		
Loss for the financial period	**(61,988)**	(57,697)
Adjustments for:		
Depreciation and amortisation of fixed assets	**37,112**	36,036
Loss / (profit) on disposal of fixed assets	**406**	(977)
Profit on disposal of joint ventures	**(1,470)**	-
Share of profit / (loss) for the year of joint venture undertakings	**(312)**	3,088
Net interest payable	**46,313**	34,795
Taxation charge / (credit)	**1,181**	(952)
(Increase) / decrease in trade and other debtors	**(8,701)**	1,901
(Increase) / decrease in stocks	**(1,313)**	78
Increase in trade and other creditors	**25,792**	16,923
Cash from operations	**37,020**	33,195
Interest paid	**(33,362)**	(24,232)
Taxation paid	**(109)**	-
Net cash generated from operating activities	**3,549**	8,963
Cash flows from investing activities		
Insurance proceeds in respect of tangible fixed assets	**1,184**	-
Proceeds from sale of tangible fixed assets	**-**	14,236
Purchases of tangible fixed assets	**(36,147)**	(23,537)
Purchases of intangible assets	**(1,740)**	(1,741)
Net cash disposed with subsidiary	**(6,696)**	-
Investment in joint venture undertakings	**(6,269)**	(8,687)
Cash inflows from joint venture undertakings	**7,732**	1,525
Net cash used in investing activities	**(41,936)**	(18,204)
Cash flows from financing activities		
Permira Senior Facility – drawn	**275,000**	-
Revolving credit facility – drawn, net	**3,962**	3,487
Senior Secured Notes due 2018 – redeemed	**(152,500)**	-
PIK Notes - redeemed	**(48,119)**	-
Repayment of bank / other loans	**(635)**	(481)
Shareholder loans drawn	**13,000**	21,200
Shareholder loans repaid	**(34,200)**	-
Preference share issue	**-**	10,000
Capital element of lease repaid	**(1,757)**	(2,910)
Debt issue costs incurred	**(11,304)**	(1,519)
Net cash from financing activities	**43,447**	29,777
Net increase in cash and cash equivalents	**5,060**	20,536
Cash and cash equivalents at beginning of year	**28,140**	6,493
Foreign exchange gains and losses	**(553)**	1,111
Cash and cash equivalents at end of year	**32,647**	28,140

The notes on pages 24 to 59 form part of these financial statements.

1 Accounting policies

General information

Soho House & Co 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.

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 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 & Co 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 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 31 December 2017, 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, taking account that the Group's facilities used to finance the Miami property are due for repayment in March 2019 and April 2019. The directors are currently reviewing their strategic options in connection with the Miami freehold property. The directors are confident that they will be able to execute a refinance of the facility.

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 31 December 2017.

1 Accounting policies *(continued)*

c) Basis of consolidation

The group financial statements consolidate the financial statements of Soho House & Co Limited and all its subsidiary undertakings as at 31 December 2017 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date control is obtained.

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

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

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

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.

1 Accounting policies *(continued)*

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.

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.

1 **Accounting policies** *(continued)*

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.

Software 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. 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.

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

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

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

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

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.

1 Accounting policies *(continued)*

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	-	4-5 years straight line
Office equipment	-	2-4 years straight line

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

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.

A Group discontinues the use of the equity method when it ceases to have joint control. Where a jointly controlled entity is disposed of, the gain/loss is the difference between the proceeds less the carrying amount relating to the proportion disposed of. In addition, the gain or loss includes amounts recognised in other comprehensive income in relation to the jointly controlled entity that are required to be reclassified to profit and loss on disposal under other sections of FRS 102. Under FRS 102, a part of a jointly controlled entity can be

1 Accounting policies *(continued)*

i) Joint ventures (continued)

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

Stock is valued at the lower of cost or market (net realizable value) and cost is determined using a weighted-average cost method. Inventories consist of raw materials, service stock and supplies (primarily food and beverage) and finished goods which are externally sourced.

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.

1 Accounting policies *(continued)*

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.

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.

1 **Accounting policies** *(continued)*

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 the Company 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. 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 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.

1 Accounting policies *(continued)*

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

Functional and 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.

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

Translation

The results arising on consolidation of overseas operations are translated at the average rates of exchange during the year and the 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.

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.

1 Accounting policies *(continued)*

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.

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 tangible 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.

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.

2 Other exceptional items

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

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Corporate strategic transaction costs	**3,648**	575
Quentin loan note provision	**4,288**	-
Legal and settlement costs relating to employment matters	**387**	254
Employment and sales taxes	**843**	-
Aborted project costs	**930**	930
Severance and contract termination costs	**298**	814
Site closure costs	**-**	543
Other exceptional costs	**142**	610
	10,536	3,726

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

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). In addition, following the disposal, the Group has 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 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 Soho House Greek Street, Café Boheme and SKB for a complete refurbishment.

In addition to the above, the group has incurred certain non-recurring costs in relation to the opening and development of new sites of £8,337,000. (1 January 2017 - £7,721,000).

The non-cash rent expense of £7,831,000 (1 January 2017: £2,767,000) 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 on Joint Venture".

3 Profit on disposal of joint ventures

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 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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Analysis by class of business:				
Leisure	**304,340**	260,524	**49,749**	30,582
Home and Retail	**15,895**	13,053	**148**	790
Core [1]	**320,235**	273,577	**49,897**	31,372
Non-Core	**39,901**	19,853	**596**	327
	360,136	293,430	**50,493**	31,699

(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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Analysis by geographical market:				
United Kingdom	**182,955**	152,533	**15,389**	13,439
North America	**154,455**	118,867	**30,348**	16,587
Europe	**22,726**	22,030	**4,756**	1,673
	360,136	293,430	**50,493**	31,699

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

5 Operating loss

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
This is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets	**28,019**	27,261
Amortisation of goodwill	**8,267**	8,157
Amortisation of other intangible fixed assets	**826**	618
Hire of other assets - operating leases	**43,877**	31,028
Fees payable to the Group's auditor for the auditing of the Group and subsidiary annual accounts	**414**	365
Fees payable to the Group's auditor for other services:		
- taxation advisory services	**60**	50
- taxation compliance services	**188**	139
- other assurance related services	**770**	-
Exchange differences	**(217)**	1,623

In respect of the fire at Soho House Chicago the Group has recognised insurance recoveries totalling £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 £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 £1,046,000. 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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Wages and salaries	**111,571**	98,778
Social security costs	**13,029**	10,156
Other pension costs	**5,043**	5,929
	129,643	114,863

6 Employees *(continued)*

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

	52 weeks ended 31 December 2017 Number	52 weeks ended 1 January 2017 Number
Administration	**387**	473
Operations	**3,885**	3,573
	4,272	4,046

7 Directors' remuneration

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Directors' emoluments	**1,040**	**1,039**
Group contributions to money purchase pension scheme	**39**	**50**

The above remuneration relates to 1 director (1 January 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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Key management emoluments	**2,381**	**2,392**
Group contributions to money purchase pension scheme	**41**	**76**

8 Interest payable

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Interest on Permira Senior Facility	14,206	-
Interest on PIK Notes	1,799	5,390
Interest on Senior Secured notes due 2018	4,462	13,836
Preference share interest	990	935
Bank loans and overdrafts	4,922	5,305
Amortisation of loan arrangement and non-utilisation fees	3,028	3,538
Finance lease interest	220	216
Capitalised property lease – financing interest	3,645	3,676
Shareholder loans – effective interest	1,296	1,175
Shareholder loans –interest	1,478	1,138
Other interest:		
- other loans	895	227
	36,941	35,436
Exceptional interest charges		
Redemption premiums relating to former facilities	4,802	-
Accelerated amortisation of loan arrangement fees relating to former facilities	4,834	-
	46,577	35,436

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

9 Taxation on loss on ordinary activities

	52 weeks ended 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Corporation tax		
Current tax	**126**	53
Foreign tax	**397**	-
Total current tax	**523**	53
Deferred tax		
Origination and reversal of timing differences	**(354)**	(1,794)
Amounts released in period	**1,482**	789
Amounts established in period - foreign tax	**(470)**	-
Movement in deferred tax provision (Note 14)	**658**	(1,005)
Taxation charge / (credit) on loss on ordinary activities	**1,181**	(952)

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 31 December 2017 £'000	52 weeks ended 1 January 2017 £'000
Loss on ordinary activities before tax	**(60,807)**	(58,649)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (1 January 2017 – 20%)	**(11,705)**	(11,730)
Effect of:		
Items not deductible for tax purposes	**4,633**	2,948
Differences between UK and overseas tax rates	**(817)**	-
Unutilised tax losses	**9,425**	7,022
Other effects of movement in deferred tax	**(504)**	789
Share of joint venture deferred tax - adjustment in respect of prior years	**-**	19
Other differences	**149**	-
Total tax charge / (credit) for the period	**1,181**	(952)

There are tax losses of £123,311,000 (1 January 2017 - £133,522,000) 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.

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% has been substantially enacted on 22 December 2017 with effect from 1 January 2018.

10 Intangible fixed assets

	Trademarks	Website and software development costs	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 2 January 2017	3,330	2,074	166,716	172,120
Additions	16	1,724	-	1,740
Disposal of subsidiary undertaking (Note 26)	(36)	-	-	(36)
Transfer from tangible fixed assets	-	1,102	-	1,102
Foreign exchange	-	(7)	(2,490)	(2,497)
At 31 December 2017	**3,310**	**4,893**	**164,226**	**172,429**
Amortisation				
At 2 January 2017	680	416	41,624	42,720
Provided for the period	129	697	8,267	9,093
Disposal of subsidiary undertaking (Note 26)	(6)	-	-	(6)
Foreign exchange	-	1	(688)	(687)
At 31 December 2017	**803**	**1,114**	**49,203**	**51,120**
Net book value				
At 31 December 2017	**2,507**	**3,779**	**115,023**	**121,309**
At 1 January 2017	2,650	1,658	125,092	129,400

11 Tangible fixed assets	**Capitalised property lease**	**Freehold land and buildings**	**Leasehold land and buildings**	**Motor vehicles**	**Fixtures and fittings**	**Office equipment**	**Assets in the course of construction**	**Total**
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 2 January 2017	54,837	125,178	79,595	1,171	69,907	9,035	6,592	346,315
Additions	512	-	10,326	82	7,996	1,508	50,803	71,227
Disposals	-	-	(1,194)	(24)	(1,224)	(206)	(353)	(3,001)
Disposal of subsidiary undertaking (Note 26)	-	-	(2,666)	-	(1,037)	(290)	(83)	(4,076)
Transfer	-	-	1,043	-	351	12	(2,508)	(1,102)
Exchange adjustments	-	(6,047)	(2,839)	-	(2,329)	(127)	(1,078)	(12,420)
At 31 December 2017	**55,349**	**119,131**	**84,265**	**1,229**	**73,664**	**9,932**	**53,373**	**396,943**
Depreciation								
At 2 January 2017	1,245	9,046	19,916	430	27,765	3,444	-	61,846
Provision for the period	1,072	2,186	7,529	290	14,436	2,506	-	28,019
Disposals	-	-	(199)	(24)	(992)	(114)	-	(1,329)
Disposal of subsidiary undertaking (Note 26)	-	-	(1,312)	-	(370)	(107)	-	(1,790)
Exchange adjustments	-	(542)	(1,236)	-	(1,356)	(71)	-	(3,205)
At 31 December 2017	**2,317**	**10,690**	**24,698**	**696**	**39,483**	**5,658**	**-**	**83,542**
Net book value								
At 31 December 2017	**53,032**	**108,441**	**59,567**	**533**	**34,181**	**4,274**	**53,373**	**313,401**
At 1 January 2017	53,592	116,132	59,679	741	42,142	5,591	6,592	284,469

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
Subsidiary undertakings			
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 Toronto Limited	England	100%*	Holding company
Cheeky Nails Limited	England	100%*	Dormant
Barber & Parlour Limited	England	100%*	Non-trading
Soho Townhouse Limited	England	100%*	Dormant
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%*	Leisure
Soho-Cecconi's (Water Street) LLC	USA	99.7%*	Leisure
Little Beach House Malibu, LLC	USA	99.7%*	Leisure
Soho Works (LA), 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	100%*	Design and Build
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

11 Tangible fixed assets *(continued)*

During the period, the Group entered into a lease arrangement which has been determined to be financing in nature. As a result the asset and the liability, totalling £19,729,000, has been capitalised, with the corresponding asset showing under Assets in the course of construction and the liability shown as "Capitalised property lease – finance lease" (Note 16 and 17).

In addition, the net book value of assets held under other finance leases is £2,711,000 (1 January 2017 - £3,804,000). The deprecation charge for assets held under finance leases is £1,040,000 (1 January 2017 - £1,015,000).

12 Fixed asset investments

Group	Loans to joint ventures £'000	Investment in joint ventures £'000
Cost or valuation		
At 2 January 2017	17,899	6,509
Share of profit for the period	-	312
Quentin loan note provision	(4,288)	-
Reclassified (see below)	(4,415)	1,268
Exchange adjustments	(85)	(516)
Additions	-	4,019
Acquired on disposal of subsidiary to joint venture (Note 26)	10,000	(2,467)
Distributions from joint ventures	-	(1,428)
Net loans (repaid) / advanced joint ventures	(4,054)	-
Disposal of joint venture	-	1,972
At 31 December 2017	**15,057**	**9,669**

The share of result of joint venture has been positively impacted by the property value uplift in relation to our 33.33% interest in the Soho House Ludlow building, net of a related deferred tax liability.

During the period the the Group sold its 50% stake in Quentin Limited to its parent company, Soho House Holdings Limited, who in turn sold the 50% stake to related parties for consideration of £1 – see Note 3.

During the period the Group completed a sale and leaseback transaction on the property known as Downtown LA in April 2017. Previously the property was held in a joint venture and following the sale and leaseback the joint venture became a subsidiary.

Items disclosed as "Reclassified" relate to the above transactions.

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.

12 Fixed asset investments *(continued)*

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
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 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
Joint ventures and associated undertakings			
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%*	Holding company
Raycliff Shoreditch Holdings LLP	England	50%*	Property company
Mimea XXI S.L.	Spain	50%*	Holding company
Mirador Barcel S.L	Spain	50%*	Property company
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

13 Stocks

	31 December 2017 £'000	1 January 2017 £'000
Finished goods and goods for resale	**5,721**	4,644
Consumables	**5,154**	5,138
	10,875	9,782

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

14 Debtors

	31 December 2017 £'000	1 January 2017 £'000
Amounts receivable within one year		
Trade debtors	**13,135**	9,662
Amounts due from joint venture undertakings (Note 22)	**1,934**	4,083
Amounts due from related parties (Note 22)	**2,893**	-
Other debtors	**7,767**	3,289
Prepayments and accrued income	**7,334**	7,143
Amounts recoverable on contracts	**9,639**	4,612
	42,702	28,789
Amounts receivable after more than one year		
Amounts due from joint venture undertakings (Note 22)	**4,992**	4,730
Other debtors (rent deposits)	**1,763**	2,023
Deferred taxation	**582**	1,230
	7,337	7,983
Total debtors	**50,039**	36,772

	Group Deferred taxation 31 December 2017 £'000	Group Deferred taxation 1 January 2017 £'000
At the beginning of the period	**1,230**	203
Net (charge) / credit to profit and loss account (Note 9)	**(658)**	1,005
Foreign exchange adjustment	**10**	22
At the end of the period	**582**	1,230

Other debtors 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 £9,708,000 (1 January 2017 - £15,340,000) in respect of security deposits and in connection with the Group's financing arrangements in Miami.

16 Creditors: amounts falling due within one year

	31 December 2017 £'000	1 January 2017 £'000
Bank loans and overdrafts (secured) (Note 17)	**30,989**	27,597
Other loans	**2,739**	188
Trade creditors	**20,075**	16,995
Taxation and social security	**7,416**	7,930
Obligations under finance lease and hire purchase contracts	**922**	1,556
Capitalised property leases – finance lease	**172**	160
Other creditors	**10,047**	9,958
Accruals and deferred income	**62,098**	46,169
	134,458	110,553

17 Creditors: amounts falling due after more than one year

	31 December 2017 £'000	1 January 2017 £'000
Shareholder loan notes	**14,252**	34,157
Bank loans (secured)	**48,658**	51,880
Preference shares (secured)	**11,278**	12,000
Permira Senior Facility due 2021	**269,002**	-
Senior Secured Notes due 2018	-	148,942
PIK Notes	-	43,417
Obligations under finance lease and hire purchase contracts	**48**	980
Capitalised property leases – finance lease	**73,313**	53,317
Other loans	-	2,892
	416,551	347,585
Accruals (unamortised lease incentives)	**24,038**	8,689
	440,589	356,274

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 which has been determined to be financing in nature. As a result the asset and the liability, totalling £19,268,000, has been capitalised, with the asset included in Assets in the course of construction and the liability shown as "Capitalised property lease – finance lease".

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

Maturity of debt:

	Bank loans and overdrafts 31 December 2017 £'000	Preference shares 31 December 2017 £'000	Finance leases 31 December 2017 £'000	Shareholder loan notes 31 December 2017 £'000	Permira Senior Facility 31 December 2017 £'000	Other loans 31 December 2017 £'000	Capitalised property lease 31 December 2017 £'000	Total 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
	48,658	11,278	48	14,252	269,002	-	73,313	416,551

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

Maturity of debt:

	Bank loans and overdrafts 1 January 2017 £'000	Preference shares 1 January 2017 £'000	Finance leases 1 January 2017 £'000	Shareholder loan notes 1 January 2017 £'000	Senior Secured Notes 1 January 2017 £'000	PIK Notes 1 January 2017 £'000	Other loans 1 January 2017 £'000	Capitalised property lease 1 January 2017 £'000	Total 1 January 2017 £'000
In one year or less, or on demand	27,597	-	1,556	-	-	-	188	160	29,501
In more than one year but not more than two years	580	-	935	21,200	148,942	-	188	171	172,016
In more than two years but not more than five years	51,300	12,000	45	12,957	-	43,417	2,704	587	123,010
In more than five years	-	-	-	-	-	-	-	52,559	52,559
	51,880	12,000	980	34,157	148,942	43,417	2,892	53,317	347,585

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 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 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 half years. The facility comprises c. £27.5m relating to SHG Acquisition (UK) Limited and subsidiaries and $10m relating to the US group. At 31 December 2017, the Group had £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.

Bank loans within one year are net of unamortised finance costs of £893,000 (1 January 2017 - £731,000).

The Permira Senior Facility is net of unamortised finance costs of £9,142,000 (1 January 2017 - £nil).

As a result of the refinancing agreement, Soho House Bond Limited redeemed its Senior Secured Notes of £152.5m ahead of the October 2018 redemption date and retired its £40 million of PIK Notes, before the October 2019 maturity.

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 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.

Bank loans due after more than one year are net of unamortised finance costs of £447,000 (1 January 2017 - £887,000).

Other loans are net of unamortised finance costs of £12,000 (1 January 2017 - £36,000).

In March 2017, the group received funding from shareholders totalling £13m, which was repaid in April 2017.

During the prior period, the group received funding from shareholders totalling £21.2m. The shareholder loans including accrued interest at 8% and were repaid in October 2017.

The Shareholder loan notes 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%

18 Financial Instruments

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

	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Financial assets		
Financial assets measured at amortised cost	**80,188**	69,826
Financial liabilities		
Financial liabilities measured at amortised cost	**537,901**	435,037

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 £5,043,000 (1 January 2017 - £5,929,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

20 Share capital

	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Allotted, called up and fully paid		
166,585,263 'A' ordinary shares of £1 each	**166,585**	166,585
4,469,417 'B' ordinary shares of £0.0001 each	**-**	-

'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 Company 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 Company and the cumulative dividends are only paid on redemption and therefore have been classified as equity. As of 31 December 2017 and 1 January 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 31 December 2017 £'000	Land and buildings 1 January 2017 £'000
Within one year	**34,127**	30,089
In two to five years	**148,626**	118,872
After five years	**408,812**	333,028
	591,565	481,989

21 Commitments under operating and finance leases *(continued)*

Total of group future minimum lease payments under finance leases:

	31 December 2017 £'000	1 January 2017 £'000
Within one year	**4,968**	5,548
In two to five years	**34,341**	16,393
After five years	**148,718**	65,628
	188,027	87,569

22 Related party disclosures

The immediate and ultimate parent company of Soho House & Co Limited at 31 December 2017 is Soho House Holdings Limited, a Jersey registered company.

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.

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 (1 January 2017 - £1,168,000) had accrued on 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 (1 January 2017 - £nil) accrued on loans. In April 2017, the loans and all accrued interest totalling £13,097,000 was repaid to shareholders.

During 2015 the Group entered into property lease arrangements with a company related by virtue of common shareholders. An amount of £822,000 rent has been charged to the income statement (1 January 2017 - £821,000) during the year and no amounts were outstanding at the current or prior year end.

Fees paid to related parties under consultancy agreements totalled £43,000 (1 January 2017 - £62,000)

Rental income from shareholders of the Group totalled £139,000 (1 January 2017 - £218,000). At 31 December 2017 £178,000 (1 January 2017 - £36,000) was due to the Group from the individuals.

During the period Non-Core services totalling £232,000 (1 January 2017 - £387,000) where provided to owners of the company. At 31 December 2017, £555,000 was due to the Group (1 January 2017 - £410,000) from the individuals.

22 Related party disclosures *(continued)*

Revenues from the Non-Core services business operation (as defined in Note 4) to various joint ventures totalled £6,259,000 (1 January 2017 - £8,310,000).

The Group has entered into a Management Services Agreement ("MSA") with Quentin Limited, a related party, 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 £335,000 (1 January 2017 - £464,000) was recharged to Quentin Limited.

The Group has recognised income relating to management and development fees from Soho House-Sydell, LLP totalling £1,186,000 (1 January 2017 - £448,000). At 31 December 2017 an amount of £348,000 (1 January 2017 - £448,000) was due from Soho House Sydell LLP, a company related by common shareholders.

The Group has recognised reimbursement of costs incurred by the Group in respect services provided to a related party totalling £1,604,000 (1 January 2017 - £1,162,000). At 31 December 2017 an amount of £230,000 (1 January 2017 - £389,000) 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 £2,493,000 (1 January 2017 - £nil). At 31 December 2017 an amount of £627,000 (1 January 2017 - £nil) was due from Poultry OpCo Limited and Poultry Tenant Limited, companies related by common shareholders.

The Group leases the Ludlow property from 139 Ludlow Acquisition LLC, an equity method investee. This is a 25-year lease that commenced May 1, 2016. The rent expense associated with this lease was £2,778,000 (1 January 2017 - £1,662,000)

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 31 December 2017 £'000	**Group 1 January 2017 £'000**
Soho Works Limited	**1,817**	-
Soho House Toronto Partnership	**(356)**	61
Quentin Limited and subsidiaries	-	1,050
Soho House Cipura (Miami) LLC	**200**	418
Raycliff Red LLP	**(539)**	(44)
Mirador Barcel S.L.	**812**	1,337
DTLA JV, LLC	-	1,261
	1,934	4,083

Amounts due from related party undertakings due within one year

Quentin Limited and subsidiaries	**2,893**	-

22 Related party disclosures *(continued)*

Amounts owed by joint venture undertakings due after more than one year

	Group 31 December 2017 £'000	Group 1 January 2017 £'000
Soho Works Limited	**10,000**	-
Soho House Toronto Partnership	**316**	623
Quentin Limited and subsidiaries	**-**	4,449
Raycliff Red LLP	**3,414**	3,414
Soho House - Cipura Miami, LLC	**1,327**	1,413
DTLA JV, LLC	**-**	8,000
	15,057	17,899
Mirador Barcel S.L. – Note 14	**4,992**	4,730
	20,049	22,629

23 Capital Commitments and Contingencies

Capital expenditure commitments contracted for at the balance sheet date but not yet incurred total £45,672,000 in connection with the development agreement on Downtown LA (1 January 2017 - £2,220,000).

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

Subsequent to the year end, the Group committed to a further £5,326,000 in respect of capital expenditure projects.

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 £24,800,000 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 31 December 2017 and 1 January 2017.

24 Share based compensation

The following table summarises share-based compensation transactions during the 52 weeks ended 31 December 2017 and 1 January 2017:

	Group 31 December 2017 Number	Group 1 January 2017 Number
Unvested at the beginning of the period	**893,884**	1,787,767
Vested during the year	**(893,884)**	(893,883)
Unvested at the end of the period	-	893,884

At 31 December 2017, the Company had 9,695,439 B ordinary shares authorised and 4,469,417 B ordinary shares issued. All issued B ordinary shares were granted in January 2012 for £0.21 per share, which represented the weighted average fair value at the grant date. The rights attached to all issued B ordinary shares vest straight-line over a period of five years. The unvested B ordinary shares became fully vested on 12 January 2017. As of 31 December 2017 the balance of the deferred compensation expense was not material. There were no B ordinary shares granted, forfeited, exercised or cancelled for the 52 weeks ended 31 December 2017 or 1 January 2017.

There were no options granted in the current or preceding periods. The following information is relevant in the determination of the fair value of the share based payment award granted during 2012 (and described above).

Equity Settled	Group 12 January 2012
Option pricing model used	**Black-Scholes**
Weighted average share price at grant date (£)	£0.21
Weighted average contractual life (years)	5
Expected volatility	30%
Expected dividend growth rate	0.00%
Risk-free interest rate	0.88%

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of the award granted.

The volatility assumption, measured at the standard deviation of expected share price returns, was determined based on the volatility of comparable companies' share prices in similar industries.

25 Post balance sheet events

In March 2018 the Group exercised a £20 million extension on its Permira accordion facility.

In March 2018, there was a kitchen fire at Soho House Ludlow. The Group is currently assessing the impact but does not expect there to be a material impact on the business. The Group maintains insurance policies to cover business interruption and property damage with terms that it believes to be adequate and appropriate.

In March 2018, the Group entered into a £5m loan arrangement with one of the Group's landlords to fund capital expenditures.

26 Disposal of subsidiary undertakings

On 29 September 2017 the Group granted to two unrelated individuals an option to subscribe for 30% of the issued shares in Soho Works Limited. Following the grant of the options and in accordance with the joint venture agreement, the two option holders have a right to appoint two directors to the board at any time. To date the option has not yet been exercised and neither have the option holders appointed any board members. In accordance with FRS102, the Group has equity accounted for its investment in Soho Works Limited on a 100% basis as the option holders have not exercised their options. The joint venture agreement relates to the business in the UK only.

There was no profit or loss on disposal in connection with the move from consolidating Soho Works Limited as a subsidiary to equity accounting for the joint venture as the Group holds 100% of the equity in the joint venture until the options are exercised.