

Registered number: 06395943

SHG ACQUISITION (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 2 JANUARY 2022

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SHG ACQUISITION (UK) LIMITED

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SHG ACQUISITION (UK) LIMITED

COMPANY INFORMATION

Directors	A R Carnie N K A Jones
Registered number	06395943
Registered office	180 The Strand London United Kingdom WC2R 1EA
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

SHG ACQUISITION (UK) LIMITED

STRATEGIC REPORT

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

The directors present their strategic report together with the audited financial statements for the period ended 2 January 2022.

Principal activity

The principal activity of SHG Acquisition (UK) Limited ("the Company") is that of an investment holding company.

Business review

The statement of comprehensive income is set out on page 9 and shows the loss for the period.

Going concern

These financial statements have been prepared on the going concern basis, taking into account the Group's (which is defined as Membership Collective Group Inc. ("MCG"), together with its consolidated subsidiaries), of which the Company is a subsidiary of and takes account of the operational inter- connectivity the Company has with the Group too, and its forecasts and projections of anticipated trading performance. This reflects management's judgements in estimating the probability, timing and value of underlying cash flows and that the company's parent, MCG, has confirmed that it will continue to provide such financial support as the company requires for its continued operations and so it can continue trading for a period of at least 12 months from the date of approval of these financial statements. Refer to "Going Concern" in note 2 to the financial statements for further detail which forms part of this report by cross reference.

Subsequent events

Note 14 forms part of this report by cross reference.

S172 Statement

Engaging and building trust with key stakeholders that interact with, or are impacting by, our business is key to delivering our strategy and ensuring our success over the long term. Strategic decisions impacting our stakeholders are discussed during the Company's board meetings.

As the Company is a holding company our key stakeholder groups are limited to engaging financing and investment activities between the parent and subsidiary undertakings. Management will act decisively pending the trading and regulatory environment. For the period ended 2 January 2022, all intercompany debts were adequately serviced. Please refer to Note 2.3 for financing activities.

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.

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 directors consider the overall change in net assets/(liabilities) including and excluding intercompany balances and the profit or loss on ordinary activities before taxation to be key performance indicators. The overall position of net liabilities for this year is £171.1m (2020: £142.8m). The loss for the year on ordinary activities before taxation has decreased to £33.9m (2020: loss £36.0m) due to lower administration costs.

SHG ACQUISITION (UK) LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE 52 WEEKS ENDED 2 JANUARY 2022

Principal risks and uncertainties

The Company regularly assesses whether any potential risks exist and take appropriate mitigating action. Currently the directors consider the principal risks and uncertainties facing the Company to be as follows:

Liquidity risk

To ensure sufficient funds are available for on-going operations and future developments, the Company use both short and long term debt finance from another group Company.

Credit risk

The Company's principal monetary assets are receivables from other group companies, and the Company's credit risk is primarily attributable to these receivables.

The Company 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 Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality.

Foreign exchange risk

As a result of the significant investment in operations in Europe and Asia, the Company's balance sheet and profit and loss has been significantly affected by movements in the Euro/sterling and HKD/sterling exchange rates. The Company aims to minimise its exposure to investments in foreign currencies where possible by aligning the currencies of liabilities and assets, but exposure is not hedged.

Interest rate risk

Interest bearing assets and liabilities are held at a variable rate, which is linked to LIBOR. This exposure is not hedged as the directors do not consider it to be cost effective.

This report was approved by the board and signed on its behalf.



A R Carnie
Director

Date: 21 March 2023

SHG ACQUISITION (UK) LIMITED

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

The directors present their report and the financial statements for the 52 weeks ended 2 January 2022.

Directors

The directors who served during the 52 weeks were:

A R Carnie
N K A Jones
R A Caring (resigned 2 December 2021)
C J Robinson (appointed 8 July 2021, resigned 2 December 2021)

Directors' responsibilities statement

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable 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 company and of the profit or loss of the company for that period.

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

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

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

Auditors

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

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

This report was approved by the board and signed on its behalf.



A R Carnie
Director
Date: 21 March 2023

SHG ACQUISITION (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHG ACQUISITION (UK) LIMITED FOR THE 52 WEEKS ENDED 2 JANUARY 2022

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 January 2022 and of its loss for the 52 weeks 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.

We have audited the financial statements of SHG ACQUISITION (UK) LIMITED ("the Company") for the 52 weeks ended 2 January 2022 which comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

SHG ACQUISITION (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHG ACQUISITION (UK) LIMITED FOR THE 52 WEEKS ENDED 2 JANUARY 2022

Other Companies Act 2006 reporting

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 52 weeks 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.

In the light of the knowledge and understanding of the 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:

- o Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and
- o Obtaining an understanding of the legal and regulatory framework in which the Company operates and

SHG ACQUISITION (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHG ACQUISITION (UK) LIMITED FOR THE 52 WEEKS ENDED 2 JANUARY 2022

considered the significant laws and regulations to be accounting standards.

- We have responded to risks identified by performing procedures including the following:
 - o Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
 - o Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud;
 - o Reading the minutes of meetings of those charged with governance; and
 - o Review of financial statements disclosures and testing to supporting documentation.
- We have also considered the risk of fraud through management override of controls by:
 - o Testing on a sample basis the appropriateness of journal entries and other adjustments; and
 - o Assessing whether the judgements made in making accounting estimates are indicative of potential bias.
- We have also considered the risk of fraud through inappropriate or incorrect recognition of revenue by:
 - o Obtaining an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on 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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Iain Henderson

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Iain Henderson (Senior Statutory Auditor)

For and on behalf of **BDO LLP**,
Statutory auditor
London, UK

Date: 21 March 2023

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

SHG ACQUISITION (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 2 JANUARY 2022

		52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
	Note		
Administrative expenses		(2,180,325)	(4,446,328)
Operating loss	3	(2,180,325)	(4,446,328)
Interest receivable and similar income	4	18,577	74,174
Interest payable and similar charges	5	(31,721,127)	(31,618,906)
Loss on ordinary activities before taxation		(33,882,875)	(35,991,060)
Taxation on loss on ordinary activities	6	-	-
Loss and total comprehensive loss for the financial period		(33,882,875)	(35,991,060)

		52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Adjusted EBITDA *		(16,726)	(7,434)
Foreign exchange		(2,163,599)	(4,438,894)
Operating loss		(2,180,325)	(4,446,328)

* Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation and foreign exchange.

SHG ACQUISITION (UK) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 2 JANUARY 2022

	Note	2 January 2022 £	3 January 2021 £
Fixed assets			
Investments	7	106,901,501	101,321,247
Current assets			
Debtors: amounts falling due within one year	8	403,743,821	319,752,545
Cash at bank and in hand		1,845,159	18,322,517
		<u>405,588,980</u>	<u>338,075,062</u>
Creditors: amounts falling due within one year	9	(219,458,125)	(62,710,164)
Net current assets		<u>186,130,855</u>	<u>275,364,898</u>
Total assets less current liabilities		<u>293,032,356</u>	<u>376,686,145</u>
Creditors: amounts falling due after more than one year	10	(464,141,207)	(519,492,374)
Net liabilities		<u>(171,108,851)</u>	<u>(142,806,229)</u>
Capital and reserves			
Called up share capital	11	572,413	3
Share premium account		45,626,625	40,618,782
Capital contribution		6,083,562	6,083,562
Profit and loss account		(223,391,451)	(189,508,576)
Shareholders' deficit		<u>(171,108,851)</u>	<u>(142,806,229)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A R Camie

Director

Date: 21 March 2023

The notes on pages 12 to 21 form part of these financial statements.

SHG ACQUISITION (UK) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 2 JANUARY 2022

	Called up share capita £	Share premium account £	Capita contribution £	Profit and loss account £	Total deficit £
At 30 December 2019	3	40,618,782	4,683,562	(153,517,516)	(108,215,169)
Comprehensive income for the period					
Loss for the period	-	-	-	(35,991,060)	(35,991,060)
Contributions by and distributions to owners					
Additional capital paid in	-	-	1,400,000	-	1,400,000
At 4 January 2021	3	40,618,782	6,083,562	(189,508,576)	(142,806,229)
Comprehensive income for the period					
Loss for the period	-	-	-	(33,882,875)	(33,882,875)
Contributions by and distributions to owners					
Shares issued	572,410	5,007,843	-	-	5,580,253
At 2 January 2022	572,413	45,626,625	6,083,562	(223,391,451)	(171,108,851)

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

1. General information

SHG Acquisition (UK) Limited is a Private Limited Company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are set out in the directors report.

The company's functional and presentation currency is Sterling (£). Monetary amounts in the financial statements are rounded to the nearest £.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

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

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.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Membership Collective Group Inc. and these financial statements may be obtained from its website:
<https://www.membershipcollectivegroup.com/financials/sec-filings/default.aspx>.

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

2. Accounting policies (continued)

2.3 Going concern

These financial statements have been prepared on the going concern basis, considering the Group (which is defined as Membership Collective Group Inc. ("MCG"), together with its consolidated subsidiaries) of which the company is a subsidiary of and takes account of the operational inter-connectivity the company has with the Group too, and its forecasts and projections of anticipated trading performance. This reflects the directors' and management's judgements in estimating the probability, timing, and value of underlying cash flows and that the company's parent, MCG, has confirmed that it will continue to provide such financial support as the company requires for its continued operations and so it can continue trading for a period of at least 12 months from the date of approval of these financial statements. However, given the relationship between the company and its parent, it is reliant not only on its parent's support but on the parent and thus the Group (of which the company is a subsidiary) maintaining sufficient working capital to support its activities.

In assessing the going concern basis of preparation of the Group, management have taken into consideration the Group's forecast compliance with bank covenants, and the timing of debt commitments within 12 months of the approval of these financial statements, and the continued availability of committed and accessible working capital to the Group. Furthermore, the Group has considered the current global economic and political uncertainties, specifically including inflationary pressures on consumables purchased and wages, as well as any further possible impacts from the COVID-19 pandemic. Cash flow forecasts have been prepared based on a range of scenarios which take account of a combination of these different scenarios.

Group Management have determined that the completed working capital events executed during 2021 and into 2022, the projected cash flows and the actions available to management to further control expenditure (particularly in respect of timing of capital works and labour costs) as necessary, provide the Group with sufficient working capital (including cash and cash equivalents) to mitigate the impact of inflationary pressures and consumer confidences, subject to the following key factors:

- the level of in-House sales activity (primarily sales of food and beverage) that, even after opening, may be subject to operational constraints connected with a re-emergence of any restrictions;
- the continued high level of membership retention and renewals, together with members continuing their current spending patterns; and
- the implementation, and timely deployment, of cost containment and reductions measures that are aligned with the anticipated levels of capacity.

This, together with the Group's wider sufficient financial resources, an established business model, access to capital and the measures that have been put in place to control costs, mean that we believe that the Group is able to continue in operational existence, meet its liabilities as they fall due, operate within its existing facilities, and meet all of its covenant requirements for a period of at least 12 months from the date these financial statements are issued.

Taking account of the above, and the letter of support from our parent, MCG, which the company's directors deem is an enforceable and committed commitment and that the support will be forthcoming should it be required, the Company's directors confirm that they have reasonable expectation that the company will have adequate resources to continue in operational existence for the next 12 months from approval of these financial statements. Accordingly these financial statements are prepared on a going concern basis.

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

2. Accounting policies (continued)

2.4 Investments

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

2.5 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.

2.6 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the 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 reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

2.7 Consolidated financial statements

The financial statements contain information about SHG Acquisition (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by Section 401 of the Companies Act 2006 not to produce consolidated financial statements.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

2. Accounting policies (continued)

2.9 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow 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 payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

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

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 or loss.

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

2. Accounting policies (continued)

Derecognition of financial assets and financial liabilities

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) despite having retained some significant risks and rewards of ownership, 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 are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 the liability simultaneously.

2.10 Foreign currency

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Any differences are taken to the profit and loss account.

2.11 Reserves

Called-up share capital: this represents the nominal value of shares that have been issued.

The share premium reserve: this contains the premium arising on issue of equity shares, net of issue expenses.

Capital contribution: Loans or monies forgiven by the companies shareholders 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.

3. Operating loss

The operating loss is stated after charging:

	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Foreign exchange	<u>2,163,599</u>	<u>4,438,894</u>

The audit fee was borne by Soho House UK Limited, a subsidiary company.

SHG ACQUISITION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 2 JANUARY 2022

4. Interest receivable

	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Bank interest receivable	18,577	74,174

5. Interest payable and similar expenses

	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Interest payable to Group companies	29,032,792	28,475,008
Bank loans and overdrafts	1,534,146	2,134,330
Amortisation of loan arrangement fees relating to facilities and non-utilisation fees	1,154,189	1,009,568
	31,721,127	31,618,906

The interest payable to Group companies related to bank loan interest recharged by the Group companies.

6. Taxation

	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Total current tax	-	-
Total deferred tax	-	-
Taxation on loss on ordinary activities	-	-

SHG ACQUISITION (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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6. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Loss on ordinary activities before tax	(33,882,875)	(35,991,060)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(6,437,746)	(6,838,301)
Effects of:		
Expenses not deductible for tax purposes	5,646,662	5,994,912
Remeasurement of deferred tax for changes in tax rates	(2,172,360)	-
Movement in deferred tax not recognised	2,963,444	843,389
Total tax charge for the period	-	-

There are estimated tax losses of £36,205,997 (3 January 2021: £32,042,398) available for use.

There are also corporate tax interest restrictions (CIR) carry forward of £113,880,196 (3 January 2021: £84,172,420).

No deferred tax asset has been recognised in respect of the carried forward losses due to uncertainty around recoverability.

7. Fixed asset investments

	Investments in subsidiary undertakings £	Capital contributions £	Total £
Cost			
At 3 January 2021	96,637,685	4,683,562	101,321,247
Additions	5,580,254	-	5,580,254
At 2 January 2022	102,217,939	4,683,562	106,901,501

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 2 JANUARY 2022

7. Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments

The undertakings in which the Company has an interest at the period end are as follows:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Proportion of voting rights and ordinary share capital
Soho House Limited	England	Leisure	100%
Soho House Istanbul Otelcilik Limited Sirketi	Turkey	Holding company	100%*
Soho House UK Limited	England	Leisure	100%*
Soho House Properties Limited	England	Property investment	100%*
Cowshed Products Limited	England	Cosmetics	100%*
NBJ Leisure Limited	England	Non-trading	100%*
Soho House Copenhagen ApS	Denmark	Leisure	100%*
SH Acquireco Tel Aviv Limited	Israel	Leisure	100%*
Soho House Berlin GmbH	Germany	Leisure	100%*
Soho House Paris S.A.S	France	Leisure	100%*
Soho House Milan	Italy	Non-trading	100%*
Soho House Rome S.r.l	Italy	Leisure	100%*
Soho House Toronto Limited	England	Holding company	100%*
Cheeky Nails Limited	England	Dormant	100%*
Barber & Parlour Limited	England	Non-trading	100%*
Soho Townhouse Limited	England	Dormant	100%*
Soho House CWH Limited	England	Leisure	100%*
Soho House (Management Services) Limited	England	Holding company	100%*
Soho House Toronto ULC	Canada	Holding company	100%*
Cowshed, LLC	USA	Beauty	100%*
Soho House Hong Kong Limited	Hong Kong	Leisure	100%*
Soho Home Limited	England	Retail	100%*
Soho Home, LLC	USA	Retail	100%*
In House Design and Build Limited	England	Construction	100%*
HTN F&B Limited	England	Dormant	100%*
Soho House Amsterdam B.V.	Netherlands	Leisure	100%*
Sunshine AcquireCo Limited	England	Holding company	100%*
Sunshine Mykonos Limited	Jersey	Holding company	100%*
Sunshine Future Projects Limited	Jersey	Holding company	75%*
Paraga Beach SA	Greece	Leisure	90%*
Q Hellas PC	Greece	Leisure	75%*
SC Music Single Member P.C.	Greece	Leisure	75%*
Sunshine Projects US Holdco, LLC	USA	Holding company	75%*
Soho Works Limited	England	Co-working	100%*
Ned-Soho House LLP	England	Holding company	50%*
Soho House Toronto Partnership	Canada	Leisure	50%*
Raycliff Red LLP	England	Leisure	50%*
Raycliff Shoreditch Holdings LLP	England	Holding company	50%*
Mimea XXI S.L	Spain	Holding company	50%*
Mirador Barcel S.L	Spain	Leisure	50%*
Little Beach House Barcelona S.L.	Spain	Leisure	50%*

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FOR THE 52 WEEKS ENDED 2 JANUARY 2022

7. Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments (continued)

Other than companies incorporated in Jersey, which operate and are domiciled in the United Kingdom, the country of operation is the same as the country of incorporation and registration.

* Represents indirect shareholding

The registered office of subsidiary and joint venture undertakings is 180 Strand, London, WC2R 1EA, other than as listed below.

The principal office of the Spanish undertakings is Calle Josep Anselm Clave 25, principal 3, 08002, Barcelona, Spain.

The principal office of the German undertakings is Torstraße 1, 10119 Berlin, Germany.

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

The principal office of the Italian undertakings is Via Giacomo Leopardi 7, 20123 Milan, Italy.

The principal office of Dutch undertakings is Herengracht 255, 1016 BJ Amsterdam, Netherlands.

The principal office of Soho House Toronto Partnership is Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, ON M5H 2V1, Canada.

The principal office of Soho House Toronto ULC is 900-1959 Upper Water Street, Halifax NS B3J 3N2, Canada.

The principal office of the Greek undertakings is Paraga Beach, 84600 Mykonos, Greece.

The principal office of the Jersey undertakings is 44, Esplanade, St Helier, Jersey, JE4 9WG.

The principal office of the French undertakings is 23 Rue Du Roule 75001 Paris, France.

The principal office of the American undertakings is 515 W 20th St., Suite 5W, New York, NY 10011, USA.

The principal office of the Danish undertakings is Havnegade 44, 1058 Copenhagen, Denmark.

The principal office of the Hong Kong undertakings is Room 06, 38F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal office of the Israeli undertakings is Yefet 27, Tel Aviv- Jaffa, 6813005, Israel.

8. Debtors

	2 January 2022 £	3 January 2021 £
Amounts owed by group undertakings	400,748,027	279,593,186
Amounts owed by parent undertakings	1,943,692	40,129,953
Prepayments and accrued income	1,052,102	29,406
	403,743,821	319,752,545

In respect of "Amounts owed by group undertakings" receivable within one year, while the company has received confirmation as to the recoverability of the balance, to the extent the counter parties are unable to do so, the company does not intend to recall the amounts due, within one year. Furthermore, the company has received confirmation from its Ultimate Parent that settlement of "Amounts owed by group undertakings" will be permitted, should the counter parties not be to repay as per the terms of repayment, to be netted against its "Amounts owed to group undertakings" (see Note 9 and 10) balances.

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9. Creditors: Amounts falling due within one year

	2 January 2022 £	3 January 2021 £
Bank loans	-	59,738,378
Trade creditors	66,000	10,141
Amounts owed to group undertakings	188,549	2,424,871
Amounts owed to parent undertakings	219,115,967	-
Accruals and deferred income	87,609	536,774
	219,458,125	62,710,164

The amounts owed to the parent and group undertakings have been classified as current, as there is no right to defer payment for more than 12 months. However, the company has received an undertaking that they will not have to repay the monies owed for a period of at least 12 months.

10. Creditors: Amounts falling due after more than one year

	2 January 2022 £	3 January 2021 £
Amounts owed to parent undertakings	460,694,956	519,492,374
Amounts owed to group undertakings	3,446,251	-
	464,141,207	519,492,374

The parent undertakings do not intend to recall the amounts owed by the company within one year. There is a support arrangement in place.

11. Share capital

	2 January 2022 £	3 January 2021 £
Allotted, called up and fully paid		
572,413 (2020 - 3) Ordinary shares of £1.00 each	572,413	3

On the 18th May 2021 an additional 572,410 shares were allotted to the parent company for a consideration of £9.75 per share.

SHG ACQUISITION (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JANUARY 2022

12. Related party disclosures

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

Initial Public Offering

On 19 July 2021, the Group, of which the company is a subsidiary of, completed its Initial Public Offering ("IPO").

13. Ultimate parent company and parent undertaking of larger group

As at 3 January 2021 and prior to 19 July 2021, the ultimate parent company of the Company was Soho House Holdings Limited, a Jersey registered company.

At 3 January 2021, the controlling party was R Burkle as he had a significant influence over the control of the company.

After 19 July 2021, and following the completion of the Initial Public Offering of Membership Collective Group Inc on the New York Stock Exchange, the ultimate parent company of the Company became Membership Collective Group Inc.

The smallest and largest group in which the results of the company are consolidated is that headed by Membership Collective Group Inc. and these financial statements may be obtained from its website: <https://www.membershipcollectivegroup.com/financials/sec-filings/default.aspx>.

14. Subsequent events

On 17th March 2023 Membership Collective Group Inc. changed its corporate name to Soho House & CoInc., effective from 20th March 2023. No other changes were made.