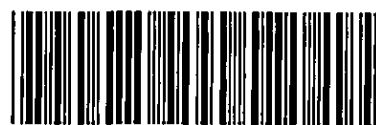


Ellerman Investments Limited
(registered number: 1848089)

Report and Consolidated Financial Statements
For the year ended 31 December 2007

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Ellerman Investments Limited

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Ellerman Investments Limited

Report of the Directors for the year ended 31 December 2007

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2007

1 Principal activities

The Group has four main categories of business activity

- (1) Operation of hotels
- (2) Land based casino operations
- (3) Property investment, development and trading
- (4) Jewellery retailers

2 Review of business and results

The results of the Group for the year are set out in the consolidated profit and loss account on page 10

Hotel operations

The Ritz Hotel, London

Turnover for the year increased to £28.9 million (2006 £26.0 million). Gross profit increased to £16.0 million (2006 £13.8 million) leading to an operating profit, before property depreciation and finance charges, of £8.7 million (2006 £7.3 million).

The operating profit, before property depreciation and finance charges, of £8.7 million is after charging to the repairs and maintenance account £1.7 million (2006 £1.7 million) on continuing to maintain the Hotel's guest rooms at the highest standard.

The Ritz Hotel is carried in the financial statements at 31 December 2007, after accumulated depreciation, at £102 million. In June 2001 Jones Lang Lasalle Limited, Chartered Surveyors, valued the hotel in the region of £150 million on an open market basis. The Directors believe that, with the significant increase in values since 2001 and following several unsolicited approaches and offers to purchase the hotel, taking into account its freehold tenure, the location, the refurbished condition and the unique Ritz brand name, it would attract a buyer at a price in excess of £600 million.

In July 2000 an independent professional valuation was carried out based on the rental stream arising from The Ritz Club casino lease in the Ritz Hotel, resulting in a valuation of £25 million in addition to the value of the hotel.

In March 2007 planning permission was granted for the demolition of the office block situated at 22 Arlington Street, London, leased from its subsidiary company, providing for an additional 63 bedrooms and ancillary facilities. Preliminary expenditure incurred on the building works of £4.8 million has been capitalised.

Ellerman Investments Limited

Report of the Directors for the year ended 31 December 2007 (continued)

The Cavendish Hotel, London

In September 2006 the Company acquired the business and premises of the Cavendish Hotel in London. Turnover for the year amounted to £13.2 million (2006: £4.2 million) and operating profit, before finance charges and taxation, was £4.2 million (2006: £1.8 million).

Jewellery retailer

Ritz Fine Jewellery London (formerly Ritz London)

The principal activity of the Company is the retailing of an exclusive brand of fine jewellery bearing the Ritz mark. A series of advertising campaigns were instigated throughout the course of 2007 in order to consolidate and build upon the Ritz brand in the fine jewellery market.

Turnover for the year amounted to £1.1 million (2006: £1.3 million) resulting in an operating loss of £0.7 million (2006: loss £1.2 million).

Casino operations

The Ritz Club Casino

On 1 January 2007 Ellerman Investments Limited acquired the minority equity interest resulting in The Ritz Club becoming a wholly owned subsidiary from that date.

On 12 January 2007 a special resolution was passed which re-designated the 5 million 'A' ordinary non-voting shares as ordinary shares of £1 each and such shares to rank *pari passu* in all respects with the existing ordinary shares.

On 31 December 2007 the allotted, issued and paid up capital of The Ritz Club was increased to £10 million by the issue of 6 million ordinary shares of £1 each to Ellerman Investments Limited.

The Chancellor of the Exchequer in his March 2007 Budget announced an increase in the top band of gaming duty from 40% to 50% on gross gaming revenue in excess of £10 million per six month reporting period. This increase is effective from the 1 April 2007 and has impacted on our business objectives for 2007.

In terms of trading, 2007 proved to be most difficult. Results were adversely affected by the significant increase in gaming duty, the ban on smoking and a decline of 2.7% in the win drop percentage, resulting in a fall in turnover from £20.7 million to £15.3 million. As a result of the increase in gaming duty the Company implemented a program of redundancies and scaled back on its gaming operations during the day. Consideration is being given to the re-introduction of these operations in the near future but at a reduced level.

At the end of the current financial year gaming debts outstanding amounted to £4.3 million for that year.

Ellerman Investments Limited

Report of the Directors for the year ended 31 December 2007 (continued)

Property activities

On 1 January 2007 the Company acquired the entire share capital of St James's Street Property Management Limited, a UK property management company, for a consideration of £1. The company was acquired from Littlewoods Home Shopping Group Limited, a company owned by the same ultimate controlling party.

Joint Venture Property Partnerships

The Group's share of operating profit of the partnerships amounted to £0.04 million (2006 £0.9 million). There was a distribution of capital during the year of £nil (2006 £7.5 million).

The Company's share of the book value of the joint ventures' gross assets at the 31 December 2007 was £0.1 million (2006 £0.5 million).

Trenport Investments Group

The group owns a portfolio of agricultural, residential and commercial properties. Sales during the year amounted to £19.9 million (2006 £7.2 million) resulting in an operating profit of £0.6 million (2006 £3.8 million).

The value of properties, including work in progress, owned by the Trenport Investments Group of companies is carried in the financial statements at £68.9 million (2006 £18.1 million). The Directors believe that the open market value of the properties is in the order of £105.1 million. The valuation is primarily based on an independent valuation performed by Strutt & Parker in May 2007, and then varied by the Directors based on current information.

Total Group Properties

The total gross assets employed in the property division, as valued by the Directors at 31 December 2007, is £105.2 million.

Post balance sheet event

On 4 April 2008 Lawn House Car Park, the sole property asset of Telegraph Car Parks Limited, was sold for £8.5 million.

Ellerman Investments Limited

Report of the Directors for the year ended 31 December 2007 (continued)

Pro-forma consolidated balance sheet

A pro- forma consolidated balance sheet at 31 December 2007 incorporating the various valuations discussed above is summarised as follows

	Proforma 2007 £'m	Proforma 2006 £'m
Fixed assets	929 8	809 1
Net current assets (excluding bank loans)	97 4	72 9
	1,027 2	882 0
Total bank loans	(311 1)	(250 2)
Net assets	716 1	631 8

Directors

The Directors of the Company during the year ended 31 December 2007 were

Mr A S Barclay (Chairman)
Mr H M Barclay
Mr R K Mowatt
Mr P L Peters
Mr M Seal

The Directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985

3 Proposed dividend and transfer to reserves

The loss for the year of £25 6 million (2006 loss £8 0 million) has been transferred to reserves
The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007 (2006 Nil)

4 Charitable donations

Donations of £156,000 (2006 £8,000) were made by the Group during the year for charitable purposes

5 Employees involvement

The Company has continued to maintain its commitment to employee involvement throughout the business

Employees are kept well informed of the performance and objectives of the Group through personal briefings, regular meetings and e-mail

Ellerman Investments Limited

Report of the Directors for the Year Ended 31 December 2007 (continued)

6 Equal opportunities

The Group is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, appraisal and promotion to retirement

It is the Group's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

The Group is responsive to the needs of its employees, customers and the community at large and are an organisation that endeavours to use everyone's talents and abilities to the full.

7 Creditor payment policy

For all trade creditors, it is the Company's and Group's policy to

- agree the terms of payment at the start of business with that supplier,
- ensure that suppliers are aware of the terms of payment, and
- pay in accordance with its contractual and other legal obligations

8 Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that year.

In preparing those financial statements, the Directors are required to

- a) select suitable accounting policies and then apply them consistently,
- b) make judgements and estimates that are reasonable and prudent,
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records and for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's and Group's auditors are unaware and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's and Group's auditors are aware of that information.

Ellerman Investments Limited

Report of the Directors for the Year Ended 31 December 2007 (continued)

9 Financial risk management

The Group's activities expose it to a variety of financial risks, including price risk, credit risk, liquidity risk and cash flow risk. The Group's overall financial risk management objective is to minimise its potential adverse effects on the financial performance of the Group.

(a) Price risk

The Group's jewellery operation is exposed to commodity price risk given the nature of its business that includes the sale of precious metals and minerals.

(b) Credit risk

Credit risk arises from acceptance of credit card payments from customers in the hotel and jewellery operations, and from the acceptance of cheques from members in the casino operations. The Group manages this risk by pre-authorising credit card payments prior to the customer occupying the rooms, by performing valid credit checks on each prospective customer, and by only accepting cheques from members who have the facility in place, which is determined by having a bank reference or having a facility at other casinos and limiting the aggregate financial exposure to an individual member.

(c) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funding requirements for working capital. The Group has debt facilities that are designed to ensure that it has sufficient available funds for operations and planned expansions.

(d) Interest rate cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets consist of cash balances. Interest bearing liabilities consist of external loan commitments and bank overdrafts.

10 Auditors

A resolution to reappoint PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

By Order of the Board

For and on behalf of Broomfield Secretarial Services Limited

Company Secretary



M Seal
Director

Ellerman Investments Limited

Independent Auditors' Report to the members of Ellerman Investments Limited

We have audited the group and parent company financial statements (the "financial statements") of Ellerman Investments Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Statement of Historical Cost Profits and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ellerman Investments Limited

Independent Auditors' Report to the members of Ellerman Investments Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 May 2008

Ellerman Investments Limited

Consolidated Profit and Loss Account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover including share of joint ventures			
Continuing operations			
- Existing		78,283	54,635
- Acquisitions		2,027	4,840
		80,310	59,475
Discontinued operations		-	4,654
	2	80,310	64,129
Less Share of joint venture turnover – continuing operations	14	(2)	(336)
Group turnover		80,308	63,793
Cost of sales		(50,558)	(36,193)
Gross profit		29,750	27,600
Net operating expenses before depreciation and amortisation		(25,224)	(23,303)
Depreciation and amortisation		(9,511)	(5,320)
Total net operating expenses	3	(34,735)	(28,623)
Operating loss			
Continuing operations		(3,824)	(2,640)
Acquisitions		(1,161)	1,423
		(4,985)	(1,217)
Discontinued operations		-	194
Group operating loss	4	(4,985)	(1,023)
Share of operating profit in joint ventures	14	25	937
Total operating loss Group and share of joint ventures	2	(4,960)	(86)
Profit on sale of subsidiary – discontinued operations		-	275
Net finance and other charges			
Group		(20,665)	(8,941)
Share in joint venture	14	12	10
	7	(20,653)	(8,931)
Loss on ordinary activities before taxation		(25,613)	(8,742)
Taxation on ordinary activities	8	26	-
Loss on ordinary activities after taxation		(25,587)	(8,742)
Equity minority interests		-	715
Loss on ordinary activities and retained for the financial year	22,24	(25,587)	(8,027)

Ellerman Investments Limited

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2007

	2007	2006
	£'000	£'000
Reported loss for the year	(25,587)	(8,027)
Actuarial gains on pension schemes	158	226
Total gains and losses recognised	(25,429)	(7,801)

Consolidated Statement of Historical Cost Profits and Losses for the year ended 31 December 2007

	2007	2006
	£'000	£'000
Reported loss on ordinary activities before taxation	(25,613)	(8,742)
Depreciation on re-valued buildings at historical cost	(2,164)	(2,153)
Depreciation on re-valued buildings at valuation	2,711	2,700
Difference between historical cost depreciation and the actual charge for the year	547	547
Historical cost loss on ordinary activities before taxation	(25,066)	(8,195)

Ellerman Investments Limited

Consolidated Balance Sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	10	262,872	262,079
Intangible assets	13	19,220	10,891
Investments in joint ventures	14		
Share of gross assets		344	461
Share of gross liabilities		(233)	(387)
		111	74
		282,203	273,044
Current assets			
Stock	15	70,223	18,990
Debtors – amounts falling due after more than one year	16	-	18,000
Debtors – amounts falling due within one year	16	7,284	8,211
Cash at bank and in hand		7,596	11,327
		85,103	56,528
Creditors – amounts falling due within one year	17	(21,610)	(18,309)
Net current assets		63,493	38,219
Total assets less current liabilities		345,696	311,263
Creditors – amounts falling due after more than one year			
Provision for liabilities and other charges	19	(978)	(963)
Bank and other loans	18	(309,263)	(248,418)
Net assets excluding pension liability		35,455	61,882
Pension liability	23	-	(459)
Net assets		35,455	61,423
Capital and reserves			
Called up share capital	20	16,283	16,283
Revaluation reserve	21	22,988	23,535
Profit and loss (deficit)/reserve	22	(3,816)	21,066
Equity shareholders' funds	24	35,455	60,884
Minority equity interest		-	539
		35,455	61,423

The financial statements on pages 10 to 40 were approved by the board of directors on 28 May 2008 and were signed on its behalf by



Director



Director

Ellerman Investments Limited

Company Balance Sheet as at 31 December 2007

	Note	2007 £'000	2007 £'000	Restated 2006 £'000	Restated 2006 £'000
Fixed assets					
Tangible assets	11		528		573
Investments	12		24,475		8,454
			25,003		9,027
Current assets					
Debtors amounts falling due after more than one year	16	49,389		79,568	
Debtors amounts falling due within one year	16	442		21,638	
Cash at bank and in hand		-		-	
		49,831		101,206	
Creditors – amounts falling due within one year	17	(1,040)		(1,400)	
Net current assets			48,791		99,806
Total assets less current liabilities			73,794		108,833
Creditors – amounts falling due after more than one year					
Amount owed to subsidiary company	18		(42,762)		(69,236)
Net assets excluding pension liability			31,032		39,597
Pension liability	23		-		(459)
Net assets			31,032		39,138
Capital and reserves					
Called up share capital	20	16,283		16,283	
Revaluation reserve	21	-		-	
Profit and loss account	22	14,749		22,855	
Equity shareholders' funds	24		31,032		39,138

The financial statements on pages 10 to 40 were approved by the board of directors on 28 May 2008 and were signed on its behalf by



Director



Director

Ellerman Investments Limited

Consolidated Cash Flow Statement for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Net cash outflow from operating activities	(a)	(57,989)	(9,167)
Returns on investment and servicing of finance			
Interest received		385	623
Interest paid		(22,413)	(6,260)
Net cash outflow from returns on investments and servicing of finance		(22,028)	(5,637)
Taxation			
UK Corporation tax refund		84	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(9,199)	(122,720)
Distribution received from joint ventures		-	7,500
Loan repaid by/(advanced to) parent company		18,000	(18,000)
Proceeds from sale of fixed assets		100	52
		8,901	(133,168)
Investment acquisitions and disposals			
Consideration received for disposal of subsidiary undertaking		-	850
Cash disposed of with subsidiary undertaking		-	(174)
Cash received on acquisition of subsidiary		4,247	-
		4,247	(676)
Net cash outflow before use of liquid resources and financing		(66,785)	(147,296)
Financing			
Increase in borrowings		60,831	147,078
Decrease in cash		(5,954)	(218)

Ellerman Investments Limited

Consolidated Cash Flow Statement for the year ended 31 December 2007 (continued)

(a) Reconciliation of operating loss to operating cash flows

	2007 £'000	2006 £'000
Operating loss	(4,985)	(1,023)
Depreciation	8,379	4,895
Amortisation of intangible assets	1,132	425
Loss/(profit) on sale of tangible fixed assets	30	(29)
(Increase)/decrease in stock	(51,233)	2,018
(Increase)/decrease in debtors	(6,066)	392
Decrease in creditors	(5,246)	(15,845)
Net cash outflow from operating activities	(57,989)	(9,167)

(b) Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
Decrease in cash for the year	(5,954)	(218)
Increase in debt	(60,831)	(147,078)
	(66,785)	(147,296)
Net debt at start of year	(241,599)	(94,303)
	(308,384)	(241,599)

(c) Analysis of changes in net debt

	1 January 2007 £'000	Cash flows £'000	31 December 2007 £'000
Cash at bank and in hand	11,327	(3,731)	7,596
Overdrafts	(2,684)	(2,224)	(4,908)
	8,642	(5,954)	2,688
Bank loans	(250,241)	(53,831)	(304,072)
Holding company loans	-	(7,000)	(7,000)
	(241,599)	(66,785)	(308,384)

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007

1 Principal accounting policies

(a) Basis of accounting

The accounts are prepared on a going concern basis in accordance with the Companies Act 1985 and applicable Accounting Standards under the historical cost convention modified by the revaluation of freehold land and buildings which is now deemed to be cost under the exemption provided on the adoption of FRS 15 – “Tangible Fixed Assets”. A summary of the more important accounting policies which with the exception of the changes noted below, have been applied consistently with the prior year is set out below

Change in accounting policy

During the year, the directors have changed the accounting policy with respect to investments. Investments are now held at cost and impairment provisions are booked when a diminution in value occurs. Previously, the carrying value of investments was revalued each year to reflect the underlying net asset values of the subsidiaries. The directors, in accordance with FRS18, believe this change is more appropriate. This change in accounting policy requires a prior year adjustment and so the balances for 2006 have been restated to reflect a consistent accounting approach.

The effect of this change was to reduce the company's opening balance for investments by £12,575,000, and therefore eliminating the entire revaluation reserve brought forward (see note 21)

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and all of its subsidiary undertakings and joint ventures made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included from the date of their acquisition or up to the date of their disposal. Profits relating to intra-group trading have been eliminated.

(c) Turnover

Hotel division

Turnover, which excludes value added tax, comprises the Group's income from the operation of its hotels. This comprises primarily of room bookings and bar and restaurant services provided. Revenue from bar and restaurant services are recognised once the service has been rendered. Revenue from the operation of the hotel is recognised on occupation of the room.

Jewellery division

Turnover, which excluded value added tax, represents sales of fine jewellery bearing the “Ritz” name. Revenue is recognised on the sale of an item of jewellery.

Casino division

Revenues are recognised net of value added tax and are wholly earned in the United Kingdom. The principle revenue streams are gaming and catering services.

- (i) Gaming revenue represents net house takings, and
- (ii) Revenue from the provision of catering services are recognised when services are rendered.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies (continued)

(c) Turnover (continued)

Property division

Turnover, which excluded value added tax, represents sales of agricultural, residential and commercial land and buildings and rental income. Turnover is recognised on unconditional completion of contracts.

Tangible fixed assets

Investment properties are revalued annually and included in the balance sheet at their open market value. In accordance with SSAP 19, no depreciation is provided in respect of investment properties except for leaseholds with less than 20 years to run. This represents a departure from the Companies Act 1985 requirement concerning the depreciation of fixed assets. Had SSAP 19 not been followed the depreciation charge for the financial year would not have been material.

Tangible fixed assets are held at modified historical cost less depreciation. Advantage was taken of the exemption provided by FRS 15 – “Tangible fixed assets” to freeze the value of revalued assets at their pre-FRS 15 valuations. The depreciation charged to the profit and loss account is based on the revalued amount, not the original historical cost. Each year a transfer is made from the revaluation reserve to the profit and loss reserve equivalent to the difference between the depreciation charged on original historical cost and that on the modified amount.

No depreciation is provided on freehold land. The Company separates its properties into components where they have significantly different useful economic lives and depreciates each component as appropriate. Depreciation on all tangible fixed assets, other than land, has been provided on a straight line basis over the following periods as follows:

Freehold and short leasehold properties	Shorter of lease term and 50 years
Equipment, fixtures and vehicles	4 to 15 years

Other leasehold premises are amortised over the remaining period of the lease or until the first review period if it is intended to terminate the lease at that stage.

Fixed asset investments

Company

The company's investments are carried at cost and impairment provisions are booked when a diminution in value occurs. As noted above, this is a change of accounting policy this year.

Goodwill and intangible fixed assets

Goodwill arising on acquisition is capitalised as an intangible asset and amortised through the profit and loss account over its estimated useful life up to a maximum of 20 years. Prior to the implementation of FRS 10 purchased goodwill on acquisition was written off immediately through reserves. On subsequent disposal of related assets such goodwill is reflected in the profit or loss on sale.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies (continued)

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value

Taxation

Corporation tax is provided on taxable profits at the standard rate of corporation tax in the United Kingdom of 30 percent (2006 30 percent)

Deferred tax is accounted for on an undiscounted basis at tax rates enacted or substantially enacted at the balance sheet date on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

Pension costs

The Group operates a defined benefit scheme in the UK. The assets of the schemes are held separately from those of the Group. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full on the balance sheet net of deferred tax. Any current or past service cost is recognised within operating profit. The net of the expected increase in the present value of the schemes' liabilities, and the Group's long term expected return on its schemes' assets, are included in the profit and loss account as other finance income/(costs). Any difference arising from experience or assumption changes and differences between the expected return on assets and those actually achieved are recognised in the statement of total recognised gains and losses.

The Group also operates defined contribution pension schemes with assets held in independently administered funds. The cost of providing these benefits, recognised in the profit and loss account, comprises the amount of contributions payable to the schemes in respect of the year.

Foreign currency conversion

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction is completed. Exchange gains and losses arising from trading transactions are included in operating profit.

Operating leases

Costs in respect of operating leases are charged in arriving at the operating profit on a straight-line basis over the lease term.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

1 Principal accounting policies (continued)

Accounting for joint ventures

The investment in joint ventures has been accounted for by the gross equity method

Financing costs

Arrangements and other issue costs incurred as a result of entering into loan and other facilities are deferred and expensed over the life of the related loan or facility on straight line basis

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

2 Segmental analysis

(a) Turnover

	2007 £'000	2006 £'000
Business analysis		
Hotels – Continuing operations	41,967	30,205
Casino		
- Continuing operations	15,265	20,675
- Discontinued operations	-	4,654
Property division		
- Group – Continuing operations	19,908	7,602
- Acquisitions	2,027	-
- Joint ventures	2	336
Jewellery – Continuing operations	1,141	657
Total	80,310	64,129

(b) Net assets

	2007 £'000	2006 £'000
Business analysis		
Hotels and property	31,679	53,647
Casino	1,625	1,962
Property trading		
- Group	10,542	13,524
- Joint ventures	111	74
Jewellery	(8,502)	(7,784)
Total	35,455	61,423

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

2 Segmental analysis (continued)

(c) Loss on ordinary activities before interest and taxation

	2007 £'000	2006 £'000
Hotel operations – Continuing operations	10,093	4,042
Casino		
- Continuing operations	(5,926)	(1,153)
- Discontinued operations	-	194
Property trading		
- Continuing operations	643	3,768
- Acquisitions	(161)	-
Jewellery – Continuing operations	(731)	(327)
	3,918	6,524
Share of operating profit in joint ventures (property)	25	937
	3,943	7,461
Corporate costs – unallocated	(8,903)	(7,547)
Total	(4,960)	(86)

There were no operations that were discontinued in the year

3 Net operating expenses

	2007 £'000	2006 £'000
Administrative expenses excluding depreciation and amortisation	25,224	23,303
Depreciation	8,379	4,895
Amortisation	1,132	425
Total administrative expenses	34,735	28,623

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

4 Group operating loss

	2007 £'000	2006 £'000
Operating loss is stated after charging/(crediting)		
Fees payable to the Company's auditor for the audit of the parent Company's and consolidated accounts	60	59
Fees payable to the Company's auditor for other services		
- The audit of the Company's subsidiaries, pursuant to legislation	131	91
- Tax services	-	15
- Other services pursuant to legislation	-	108
(Profit)/loss on sale of fixed assets	(30)	29
Staff costs (see note 6)	26,232	21,013
Directors' emoluments (see note 5)	1,911	1,978
Operating leases for leasehold premises	940	579
Write-back provision on slow moving stock	(536)	-
Negative goodwill written off on acquisition of subsidiary (see note 12)	(419)	-

The write-back of the provision for slow moving stock related to jewellery, and reflects the view of the directors that the nature of the items means their net realisable value is greater than cost

5 Directors' emoluments

	2007 £'000	2006 £'000
Aggregate emoluments for qualifying services	1,911	1,978
Amounts in respect of the highest paid director are as follows		
Aggregate emoluments	513	498

Retirement benefits are accruing to one director under a defined benefit scheme (2006 One)

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

6 Employee information

- (a) The average number of persons employed by the Group, including Executive Directors, during the year is analysed below

	2007	2006
Selling and distribution	570	496
Management and administration	130	82
	700	578

- (b) Group employment costs of all employees included above

	2007 £'000	2006 £'000
Gross wages and salaries	22,707	18,421
Social security costs	2,398	1,759
Other pension costs	1,127	833
	26,232	21,013

7 Net finance and other charges

	2007 £'000	2006 £'000
Interest payable on bank loans	(20,790)	(9,409)
Amortisation of bank loan arrangement fees	(272)	(139)
Share of joint venture bank loan charges	-	(6)
	(21,062)	(9,554)
Finance income on pension liabilities	9	5
Bank interest receivable	388	602
Share of joint venture bank interest	12	16
	(20,653)	(8,931)

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

8 Taxation on ordinary activities

	2007 £'000	2006 £'000
Current tax:		
UK corporation tax on profits		
- for current period	-	-
- for previous periods	(41)	-
Deferred tax:		
- Origination and reversal of timing differences (ACA)	15	-
Tax credit on loss on ordinary activities	(26)	-

The tax assessed for the period is different to the standard rate applied in the UK (30%) The differences are explained below

	2007 £'000	2006 £'000
Loss on ordinary activities multiplied by standard rate in the UK of 30% (2006 30%)	(7,684)	(2,623)
Effects of:		
Expenses not deductible for tax purposes	558	296
Accelerated capital allowances and other timing differences	1,336	833
Losses utilised	(4)	(93)
Taxation on disposed business	-	(221)
Joint Venture Income (non taxable)	-	(284)
Tax losses carried forward	5,794	2,092
Adjustments to tax charge in respect of previous periods	(41)	-
Total current tax credit	(41)	-

9 Loss of Parent Company

A total loss of £8,106,000 (2006 Loss £6,850,000) has been dealt with in the accounts of Ellerman Investments Limited. The Company has taken advantage of the section 230 Companies Act 1985 allowing it not to publish a separate profit and loss account.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

10 Tangible fixed assets – Group

The Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Equipment, fixtures and vehicles £'000	Total £'000
Cost				
At 1 January 2007	158,697	111,813	19,843	290,353
Additions	5,997	258	3,047	9,302
Reallocation of assets	4,700	(4,700)	-	-
Assets scrapped	-	-	(1,071)	(1,071)
Disposals	-	-	(462)	(462)
Transfers	-	(1,097)	1,097	-
At 31 December 2007	169,394	106,274	22,454	298,122
Depreciation				
At 1 January 2007	20,266	768	7,240	28,274
Charge for the year	3,189	2,274	2,916	8,379
Assets scrapped	-	-	(1,071)	(1,071)
Disposals	-	-	(332)	(332)
At 31 December 2007	23,455	3,042	8,753	35,250
Net book value				
At 31 December 2007	145,939	103,232	13,701	262,872
Net book value				
At 31 December 2006	138,431	111,045	12,603	262,079

On an historical cost basis the revalued land and buildings, including additions, would have been included at the following amounts

	Freehold land and buildings £'000
Cost	93,199
Accumulated depreciation	(11,672)
Net book amount	81,527

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

11 Tangible fixed assets – Company

The Company	Short leasehold land and buildings £'000	Equipment, fixtures and vehicles £'000	Total £'000
Cost			
At 1 January 2007	14	1,138	1,152
Additions	-	186	186
Disposals	-	(252)	(252)
At 31 December 2007	14	1,072	1,086
Depreciation			
At 1 January 2007	3	576	579
Charge for the year	1	220	221
Disposals	-	(242)	(242)
At 31 December 2007	4	554	558
Net book value			
At 31 December 2007	10	518	528
Net book value			
At 31 December 2006	11	562	573

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

12 Investments – Company

In the company's balance sheet, the investments in subsidiary undertakings are as follows

	2007 £'000
Cost	
At 1 January 2007 – as previously reported	21,029
Prior year adjustment – Effect of change in accounting policy (note 21)	(12,575)
At 1 January 2007 – as restated	8,454
Acquisition of minority interest	10,000
Increase in investment in subsidiary undertaking	6,000
Increase in share of Joint Venture	21
At 31 December 2007	24,475

Acquisition of minority interest

On 1 January 2007, Ellerman Investments Limited acquired the minority equity interest of The Ritz Hotel Casino Limited for a consideration of £10 million, resulting in the investment becoming a wholly owned subsidiary from that date. The table below shows how the goodwill of £9,461,000 arose

	£'000
Intangible fixed assets	1,252
Tangible fixed assets	6,016
Stock	268
Debtors	1,441
Cash	1,498
Creditors	(8,554)
Net asset value at 1 January 2007	1,921
Minority equity interest acquired	539
Goodwill (see note 13)	9,461
Consideration	10,000

Increase in investment in subsidiary undertaking

In December 2007, the Ritz Hotel Casino Limited, a wholly owned subsidiary, issued 6 million £1 ordinary shares at par. Consideration was satisfied by way of settlement of an intergroup loan.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

12 Investments – Company (continued)

Acquisition of St James's Street Property Management Limited

On 1 January 2007 the Company acquired the entire share capital of St James's Street Property Management Limited, a UK property management company, for a consideration of £1. The company was acquired from Littlewoods Home Shopping Group Limited, a company owned by the same ultimate controlling party. The table below shows how the negative goodwill of £419,000 arose.

	£'000
Tangible fixed assets	103
Debtors	3,488
Cash	4,247
Creditors	(7,419)
Net asset value at 1 January 2007	419
Negative goodwill released to profit in accordance with FRS10 paragraph 50 (see note 4)	419
Consideration	-

Note 28 includes the principal investments held by the company.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

13 Intangible assets

	Group		
	Goodwill	Licence	Total
	£'000	£000	£000
Cost			
At 1 January 2007	11,051	2,000	13,051
Additions	9,461	-	9,461
At 31 December 2007	20,512	2,000	22,512
Accumulated amortisation			
At 1 January 2007	1,412	748	2,160
Charge for the year	1,026	106	1,132
At 31 December 2007	2,438	854	3,292
Net book value at 31 December 2007	18,074	1,146	19,220
Net book value at 31 December 2006	9,639	1,252	10,891

Intangible assets consist of goodwill arising on consolidation of 100% of the holding in The Ritz Hotel Casino Limited and of the 100% holding in Ritz Fine Jewellery London (formerly Ritz London) and costs in respect of obtaining a gaming licence which are amortized over 20 years from year ended 31 December 2000

The additional goodwill in the year relates to the acquisition of the minority equity interest in The Ritz Hotel Casino Limited (see note 12)

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

14 Investments in joint ventures

On 1 April 1999 the Group entered into two joint venture property partnerships, Moorfield Capital Partners Investment Limited Partnership (MCPILP) and Moorfield Capital Partners Trading Limited Partnership (MCPTLP). The Group is entitled to a 65% share in the profits.

The Group's share of the operating results of the joint ventures for the year are as follows:

	MCPILP £'000	MCPTLP £'000	Total £'000
Turnover	2	-	2
Operating profit/(loss)	28	(3)	25
Finance income	12	-	12
Profit before and after taxation	40	(3)	(37)
Retained profit for the year	40	(3)	37

The movement in investments in joint ventures in the year is reconciled as follows:

Investments in joint ventures	Total £'000
At 1 January 2007	74
Group share of profit	37
Distribution of capital	-
At 31 December 2007	111

The Group's share of operating assets and liabilities of the joint venture are as follows:

	£'000 MCPILP	£'000 MCPTLP	£'000 Group
Fixed assets	107	151	178
Current assets	161	5	166
Total assets	268	156	344
Total liabilities	(213)	(100)	(233)
Net assets	55	56	111

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

15 Stocks

The Group	2007 £'000	2006 £'000
Raw materials and consumables	1,886	1,051
Finished goods and goods for resale	5,249	4,588
Land held for development and resale	54,534	9,867
Land development work in progress	8,554	3,484
	70,223	18,990

The Company

There is no stock held by the company (2006 Nil)

16 Debtors

	2007		2006	
	The Company £'000	The Group £'000	The Company £'000	The Group £'000
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	49,389	-	61,568	-
Amount owed by parent undertaking	-	-	18,000	18,000
	49,389	-	79,568	18,000
Amounts falling due within one year				
Trade debtors	-	3,892	-	2,525
Other debtors	213	890	21,448	3,764
Prepayments and accrued income	229	2,502	190	1,922
	442	7,284	21,638	8,211

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

17 Creditors – amounts falling due within one year

	2007		2006	
	The Company £'000	The Group £'000	The Company £'000	The Group £'000
Bank loan and overdrafts	597	6,277	105	4,507
Trade creditors	110	5,269	904	4,402
Taxation and social security	30	1,045	-	565
Other creditors	75	1,628	-	3,440
Accruals and deferred income	228	7,391	391	5,395
	1,040	21,610	1,400	18,309

The bank loan is secured by legal charges over the stocks of the Group and bears a rate of interest of LIBOR plus 1 1% and is repayable in October 2008

18 Creditors – amounts falling due after more than one year

	2007		2006	
	The Company £'000	The Group £'000	The Company £'000	The Group £'000
Bank loans (a)	-	292,263	-	248,418
Amount owed to parent undertaking	7,000	7,000	-	-
Amounts owed to subsidiary undertaking	25,762	-	69,236	-
Director's loan note (b)	10,000	10,000	-	-
	42,762	309,263	69,236	248,418

- (a) The bank loans are secured by legal charges over tangible fixed assets, stock and investments of the Group, and bear interest at rates between 0.8% and 2.5% above LIBOR and are repayable between 2010 and 2026. Noted against the bank loan balance is an amount of £1,256,000 (2006: £868,000) relating to arrangement fees incurred on inception of the loan. The arrangement fees are amortised to the profit and loss account over the term of the facility and an amount of £272,000 was amortised in the current financial year (2006: £139,000).
- (b) The Director's loan note bears interest at 6% per annum and is repayable in 2016.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

19 Provision for liabilities and other charges

Deferred taxation

2007	2006
£'000	£'000

Analysis of recognised deferred tax balances:

Accelerated capital allowances	978	963
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Movements of deferred tax liabilities

2007	2006
£'000	£'000

As at 1 January	963	963
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Charge to the profit and loss account	15	-
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As at 31 December	978	963
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	2007		2006	
	Group £'000	Company £'000	Group £'000	Company £'000
Analysis of unrecognised deferred tax balances:				
Accelerated capital allowances	401	336	414	414
Unutilised losses brought forward	1,603	1,603	1,189	1,189
Total unrecognised deferred tax assets	2,004	1,939	1,603	1,603

No provision has been made for deferred taxation on the revaluation of, or chargeable gains rolled over into properties as any gains are expected to be sheltered by acquisitions made by group companies. The unutilised capital losses and excess management expenses could be used to offset future gains arising within group companies.

20 Called up equity shares

At 31 December 2007 and 31 December 2006

Authorised:	£
Ordinary shares of £1 each	100,000
Issued, called up and fully paid:	£
Ordinary shares of £1 each	16,283

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

21 Revaluation reserve

The group revaluation reserve arose upon revaluations of the hotel prior to the introduction of FRS 15 – “Tangible Fixed Assets” The Group took advantage of the exemption in FRS 15 allowing the carrying value of the assets to be frozen at their pre-FRS15 valuation

	Company £'000	Group £'000
At 1 January 2007 – as previously reported	12,575	23,535
Prior year adjustment - Effect of change in accounting policy	(12,575)	-
At 1 January 2007 – as restated	-	23,535
Transfer to profit and loss reserve	-	(547)
At 31 December 2007	-	22,988

22 Profit and loss (deficit)/reserve

The movement on the profit and loss (deficit)/reserve is analysed below

	The Company £'000	The Group £'000
At 1 January 2007	22,855	21,066
Loss for the year	(8,264)	(25,587)
Transfer from revaluation reserve	-	547
Actuarial gain on pension scheme	158	158
At 31 December 2007	14,749	(3,816)

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

23 Pensions

In the UK the Company operates the B H G L Staff Pension Scheme. This is a defined benefit scheme whose assets are held in a trust fund entirely independent of the assets of the Group. The scheme is fully funded on a statutory minimum funding basis.

The profit and loss charge was assessed in accordance with the advice of a qualified independent actuary based on the latest actuarial valuation of the B H G L Staff Pension Scheme as at 31 March 2008. At that date the market value of the assets was £2.1 million, which was sufficient to cover the value of the benefits that had accrued to members. The value was carried out using the attained age method.

Various group companies have established personal pension schemes under the Stakeholder pension rules.

FRS 17 Pension disclosures:

The Company operates the BHGL defined benefit scheme in the UK. The valuation used for FRS 17 disclosures has been based on an indicative independent actuarial valuation as at 31 March 2008 and updated to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2007.

The financial assumptions used to calculate scheme liabilities under FRS 17 are

	2007	2006	2005
Discount rate	5.80%	5.10%	4.75%
Inflation rate assumption	3.30%	3.10%	2.80%
Rate of pension increases			
Price inflation, maximum 5% pa	3.30%	3.10%	2.80%
Price inflation, maximum 5%, minimum 3% pa	3.60%	3.60%	3.00%
Price inflation, maximum 2.5%	2.50%	2.50%	2.50%
Rate of salary increases	nil	3.10%	4.80%

An assumption is not required as at 31 December 2007 for future salary growth as there are no remaining active members in the Scheme at that date.

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

23 Pensions (continued)

Market value of assets and expected rate of return on assets:

	Expected rate of return %	31 December 2007 £'000	Expected rate of return %	31 December 2006 £'000	Expected rate of return %	31 December 2005 £'000
UK Gilts	4.50	749	4.50	1,282	4.20	787
Bonds	5.80	450	5.10	1,137	4.75	503
Equities	7.90	591	8.20	1,361	8.00	1,587
Hedge Funds	7.10	103	-	-	6.60	174
Cash	5.20	178	5.00	420	3.60	816
Total value of assets	5.90	2,071	5.90	4,200	5.90	3,867

Components of defined benefit cost

Analysis of amounts charged to operating profit.

	2007 £'000	2006 £'000
Current service cost and charged to operating profit	38	44

Analysis of other amounts charged to profit and loss account:

	2007 £'000	2006 £'000
Gain on settlements	(44)	-

Analysis of the amount charged/credited to other finance income:

Interest on pension scheme liabilities	158	220
Expected return on assets in the pension scheme	(167)	(225)
Net credit to other finance income	(9)	(5)
Total P&L (credit)/charge before taxation	(15)	39

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

23 Pensions (continued)

Analysis of the amounts recognised in the statement of total recognised gains and losses

	2007 £'000	2006 £'000
Gain on assets	21	(88)
Experience gain on liabilities	(235)	(406)
Gain on change of assumptions	(144)	268
Actuarial gain recognised in the STRGL	(358)	(226)
Loss due to irrecoverable surplus	200	-
Total gain recognised in the STRGL before taxation	(158)	(226)

History of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Loss/(gain) on plan asset	21	(88)	(178)	(28)	(27)
% of plan assets at end of year	1.0%	2.1%	4.6%	0.8%	0.9%
Experience (gain)/loss on pension scheme liabilities	(235)	(406)	(86)	(184)	525
% of plan liabilities at end of year	12.6%	8.7%	1.8%	4.2%	12.2%
Total actuarial (gain)/loss recognised in STRGL	(358)	(226)	20	(118)	663
% of pension scheme liabilities at end of year	19.1%	4.9%	0.4%	2.7%	15.4%

Reconciliation to the balance sheet

	2007 £'000	2006 £'000	2005 £'000
Market value of pension scheme assets	2,071	4,200	3,867
Actuarial value of pension scheme liabilities	(1,871)	(4,659)	(4,731)
Surplus/(deficit) in the pension scheme	200	(459)	(864)
Irrecoverable surplus	(200)	-	-
Pension liability recognised in balance sheet	-	(459)	(864)

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

Analysis of the movement in deficit in the pension scheme during the year

	2007 £'000	2006 £'000
Deficit in the pension scheme at beginning of year	(459)	(864)
Contributions paid	286	218
Current service cost	(38)	(44)
Settlement cost	44	-
Other finance charge	9	5
Actuarial gain	358	226
Surplus/(deficit) in the pension scheme at end of year	200	(459)

The surplus of £200,000 has not been recognised as it is deemed irrecoverable in accordance with FRS17 paragraph 37

From 1 January 2008 the Company will contribute at the following rates

Category B members – Nil (2006 33 1% of pensionable salaries)
 Additional - £176,900 per annum
 PPF levy allowance - £2,000 per annum

These rates will be reviewed following completion of the next valuation, due to be carried out as at 5 April 2009

24 Reconciliation of movements in shareholders' funds – Group

	2007 £'000	2006 £'000
Loss on ordinary activities after tax	(25,587)	(8,742)
Equity minority interest	-	715
	(25,587)	(8,027)
Revaluation of joint venture	-	(56)
Actuarial profit on pension scheme	158	226
Reduction to shareholders' funds	(25,429)	(7,857)
Opening shareholders' funds	60,884	68,741
Closing shareholders' funds	35,455	60,884

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

24 Reconciliation of movements in shareholders' funds – Company

	2007 £'000	2006 £'000
Loss on ordinary activities after tax	(8,264)	(6,850)
Actuarial profit on pension scheme	158	226
Reduction to shareholders' funds	(8,106)	(17,028)
Opening shareholders' funds – as previously stated	39,138	68,741
Prior year adjustment – Effect of change in accounting policy	-	(12,575)
Opening shareholders' funds – as restated	39,138	56,166
Closing shareholders' funds	31,032	39,138

25 Commitments and contingent liabilities

(a) Operating lease commitments

Annual rentals payable in respect of operating leases are as follows

	2007			2006		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring in over five years	349	-	349	712	-	712

(b) Contingent liabilities

The Group companies have given fixed and floating charges over their assets as security for bank loans amounting to £293,631,000 (2006 £250,241,000)

26 Related party transactions

Pursuant to Financial Reporting Standard 8, paragraph 3(a), the Company has taken advantage of the exemption not to disclose any transactions or balances between group entities that have been eliminated on consolidation

27 Post balance sheet events

On 4 April 2008 Lawn House Car Park, the sole property asset of Telegraph Car Parks Limited, was sold for £8.5 million

Ellerman Investments Limited

Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

28 Principal subsidiaries and joint ventures

Principal subsidiaries

The following information relates to those subsidiaries which are 100% owned, and in the opinion of the Directors, principally affect the profits or assets of the Group

Name (and country of incorporation if not Great Britain)	Amount and description of shares held	Principal activity
The Ritz Hotel (London) Limited	1 million Ordinary £1 shares	Operation of hotel
The Cavendish Hotel Limited	1 Ordinary £1 share	Operation of hotel
The Ritz Hotel Casino Limited	3 million Ordinary £1 shares	Operation of casino
Ritz Fine Jewellery London (formerly Ritz London)	1 Ordinary £1 share	Jewellery retailers
Telegraph Car Parks Limited	1 Ordinary £1 share	Property development
Trenport Investments Limited	500,000 Ordinary shares of £1 each 500,000 Deferred shares of £1 each	Property development
Trenport (Peters Village) Limited	1 Ordinary £1 share	Property development
Ryton Utilities Limited	1 Ordinary £1 share	Sewerage plant
Trenport (East Hall Park) Limited	1 Ordinary £1 share	Property development
*22 Arlington Street Limited	2 Ordinary £1 shares	Property investment
SJS Property Management Limited	1 Ordinary £1 share	Property Management

* Registered in Jersey

Joint Ventures

The Company is a partner in two limited property partnerships and has a 65% interest in each partnership

Moorfield Capital Partners Investment Limited Partnership

Moorfield Capital Partners Trading Limited Partnership

29 Ultimate controlling party

The immediate holding company is B UK Limited, a company incorporated in Bermuda which the directors regard as being controlled by the Trustees of Sir David and Sir Frederick Barclay Family Settlements