EL ORO AND EXPLORATION COMPANY p.l.c.

Company No: 80408

Founded 1 November 1886

Directors' Report and Accounts

for the year ended 31 December 2004

DIRECTORS:
C. R. W. Parish, M. A. (Oxon)
(Chairman and Managing Director)
The Hon. Mrs. E. C. Parish
E. W. Houston
D. R. L. Hunting
R. E. Wade
J. A. Wild

REGISTERED OFFICE:
41 Cheval Place
London
SW7 1EW

SECRETARY:
C. E. J. Burman, FCA

REGISTRARS AND TRANSFER OFFICE:
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

REGISTERED AUDITORS:
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

LAWYERS:
McDermott Will & Emery UK LLP
7 Bishopsgate
London
EC2N 3AR

WEBSITE:
www.eloro.co.uk

REPORT OF THE DIRECTORS

Financial Statements
The Directors submit their Report and financial statements of the Company for the year ended 31 December 2004 and Group Accounts for the year ended on that date.

Directors' Responsibilities
Company law requires the Directors 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 of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable 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 and the Group will continue in business.

The Directors confirm that they have complied with the above requirements.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and other information included in the Report and Accounts are prepared in accordance with Company law in the United Kingdom. They are also responsible for ensuring that the Report and Financial Statements include the information required by the Listing Rules of the Financial Services Authority.

Business
The principal activity of the Company is dealing in investments. The main aim of the Company since 1938 has been to increase the asset value of the stockholders' units whilst continually increasing their dividends and at the same time not asking them to put up any new money. The progress of this endeavour is clearly shown in the table on page 12.

There were no significant changes in the Group's activities during the year.

It is the Directors intention to continue to manage the Group's affairs in accordance with its stated business objectives. Details of Listed and Unlisted Investments with market values in excess of £500,000 and held at 31 December 2004, are given on page 33.

REPORT OF THE DIRECTORS *continued*

Results	**2004** **£**	2003 £
Group profit before taxation	**3,025,205**	3,938,278
Deduct: Taxation	**1,083,787**	1,452,064
	1,941,418	2,486,214
Proposed dividend payable 230% (2003: 220%) (Note 4)	**1,247,601**	1,313,722
Unclaimed dividends forfeited (Note 4)	**(1,995)**	(267)
Cost of stock units repurchased and cancelled	**398,846**	–
Retained profit for the year	**£296,966**	£1,172,759
Parent Company	**337,922**	865,177
Subsidiary Companies	**(40,956)**	307,582
	£296,966	£1,172,759

Dividend
A first and final dividend is proposed for the year ended 31 December 2004 of 11.5p (2003: 11.0p) per stock unit, which, subject to approval at the Annual General Meeting, will be paid on the 26 October 2005 to members registered in the books of the Company at the close of business on the 17 June 2005.

Review of the Business
A review of the Company's activities is given in the Chairman's Statement on pages 13 to 15.

Adoption of International Financial Reporting Standards
With effect from 1 January 2005, the Group, as a listed company is required to prepare its financial statements under International Financial Reporting Standards ("IFRS").

The Group will report under IFRS for the first time when we announce the interim results for the period to 30 June 2005.

The major impact to the Group under IFRS will be the adoption of the International Accounting Standard 39 ("IAS39") in respect of its current asset investments, short positions and options.

Under the previous accounting policy, these assets and liabilities have always been valued at the lower of cost and market or Directors valuation. Under IAS39, they will be valued at realisable value.

The main accounting consequences of the change are:

1. On 1 January 2005, the investments at 31 December 2004 will be restated at market value, the net uplift being credited to the available for sale reserve. Corporation tax will not become immediately payable on the uplift, but the potential tax liability will be charged against this reserve and credited to the deferred tax reserve. Corporation tax will not become payable on this uplift until these investments are sold.
2. At 31 December 2005 and in subsequent years, all investments will be included in the balance sheet at market value. The movement in value from the previous accounting date will be adjusted on the available for sale reserve, except that any permanent fall in value, or exchange rate adjustment, will be charged or credited to the profit and loss account. Any credit relating to a subsequent reversal of a permanent fall in value will be credited to the available for sale reserve. Corporation tax will become payable each year on the increase in the available for sale reserve during that year.
3. On disposal of an investment, the realised profit or loss will be charged or credited to the profit and loss account, and the unrealised profit or loss eliminated from the available for sale reserve. Corporation tax will then be payable on any profit not previously taxed.

REPORT OF THE DIRECTORS *continued*

Post Balance Sheet Event

On 14 January 2005, Danby Registrars Limited, a fully owned subsidiary of the Company and the owner of Walcot Estate, was sold on a debt free, cash free basis at a true and fair value to Perceval Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company. The Disposal was implemented via a scheme of arrangement under Section 425 of the Companies Act 1985 (as amended) whereby stock units held by C.R.W. Parish in the Company were redesignated and cancelled by way of a reduction of capital in the Company in consideration for Danby Registrars Limited being transferred to Perceval Limited.

This transaction was a related party transaction due to the fact that C.R.W. Parish is a substantial shareholder and Director of the Company and is the owner of Perceval Limited. It is also a related party transaction in respect of The Hon. Mrs. E. C. Parish, a likely protected tenant of Walcot (Danby Registrar Limited's principal asset) and a director of the Company.

For the year ended 31 December 2004 Danby Registrars Limited incurred a loss on ordinary activities before tax amounting to £85,763. The disposal of this company will result in the elimination of these losses for the Group going forward.

Further details of this post balance sheet transaction are given in note 23 to the financial statements.

Walcot Hall Estate – Related Party

As explained in note 21 to the financial statements, Walcot Hall Estate in Shropshire, a property included as part of the investment portfolio of Danby Registrars Limited, a subsidiary company which was sold subsequent to the year end, as identified within the note above, is occupied by an executive Director of the Company, The Hon. Mrs E. C. Parish under a likely protected tenancy agreement entered in 1957 for an annual rental of £7,580. The Hon. Mrs E. C. Parish allows C. R. W. Parish, the Chairman and Managing Director, and his family, and her daughter Mrs S. W. Kumaramangalam and her family to reside in the property. The Group's investment in this property at market value amounted to £3,100,000 at 31 December 2004. The latest valuation of the property was carried out in October 2004, by FPDSavills Limited, Chartered Surveyors.

Price of Company's stock units on 6 April 1965

The price of the Company's stock units for Capital Gains Tax purposes was 13p on 6 April 1965 (31 March 1982: 29.5p).

Directorate

A list of the current members of the Board of Directors is shown on page 2 and constitutes part of this Directors' Report. E. W. Houston and R. E. Wade retire by rotation and, being eligible, offer themselves for re-election.

The interests of the Directors who held office during the year in the Company's stock units are shown in the Remuneration Report.

Non-Executive Directors

E. W. Houston, D. R. L. Hunting, R. E. Wade and J. A. Wild are Directors of El Oro Mining and Exploration Company Limited (formerly El Oro Mining and Exploration Company p.l.c.). E. W. Houston has no other Directorships. D. R. L. Hunting is an executive Director of Hunting Investments Limited. R. E. Wade (a citizen of the USA) is a non-executive Director of Franklin Mutual Series Funds Inc. (USA), Franklin Managed Trust and Franklin Value Investors Trust. J. A. Wild is a non-executive Director of James Halstead plc and an executive Director of Dean Property Group Limited, J. Wild Investments Limited and Wilds Limited. All the non-executive directors, with the exception of E. W. Houston, are independent directors.

REPORT OF THE DIRECTORS *continued*

Approval of the Financial Statements

The financial statements on pages 16 to 31 were approved by the Board of Directors on 22 April 2005, and were signed on its behalf by C. R. W. Parish and J. A. Wild.

Substantial Interests

So far as your Directors are aware at no time during the year, or up to the issue of this Report, has any other company or person, who is not a Director of the Company, held an interest comprising 3% or more of the issued capital of the Company with the exception of the stockholders disclosed below.

Stockholders	%	Total Stock Units	Beneficial	Non-beneficial
Mr. S. B. & Mrs. S. W. Kumaramangalam	13.22	1,592,879	1,059,332	533,547
Mr. W. B. & Mrs. P. Fraser	15.76	1,899,494	7,515	1,891,979
JM Finn Nominees Limited	15.50	1,868,790	–	1,868,790
Mr G. & Mrs C.W. Zegos	9.84	1,185,770	709,223	476,547

As a result of Mr. & Mrs. Kumaramangalam, Mr. & Mrs. Fraser, JM Finn Nominees Limited and Mr. & Mrs. Zegos being trustees of several family trusts, their non-beneficial interests in the Stock units of El Oro and Exploration Company p.l.c. contain a degree of duplication.

The interests of the Directors of the Company, which include substantial interests other than shown above, are shown on page 11.

Supplier Payment Policy

The Group complies with the settlement conditions of the stock exchanges on which it trades. It is Group policy in respect of its other suppliers to agree the terms of payment at the start of business with that supplier, to ensure that suppliers are aware of the terms of payment and to pay in accordance with contractual and other legal commitments. All accounts are usually settled within thirty days of receipt.

Statement of Compliance with the Combined Code of Corporate Governance 2003 (Combined Code)

Your Board complies, where practical, with the provisions of the Combined Code which forms part of the UK Listing Authority Listing Rules. All matters requiring a Board decision are dealt with quickly and effectively following consultations among the Directors and, when further guidance is required, the Company's professional advisors.

The Board normally meets every ten weeks and encourages the development of the non-executive directors' understanding of the business, and the views of its major stockholders.

Your Board takes the view that, due to the nature of the Company's business and its size, this flexible and direct approach is more effective than the more formal procedures that may suit larger trading and financial organisations. It believes that this policy has made a positive contribution to your Company's success. It is for these reasons that your Board does not comply with certain parts of the provisions of the Combined Code. The areas of non-compliance are listed below.

Code Provisions

Schedule of matters specifically reserved to the Board

Your Board does not consider it is necessary to prepare a formal schedule of matters reserved as your Board takes decisions on all material matters.

REPORT OF THE DIRECTORS *continued*

Directors taking independent professional advice
There is no agreed formal procedure for Directors in the furtherance of their duties to take independent professional advice, if necessary, at the Company's expense. It has, however, been your Board's practice to take independent advice, where necessary, from the Company's professional advisers on legal and financial matters and the Board intends to continue with this policy.

Division of responsibilities at the head of the Company
The Chairman of your Company is also the Managing Director and is responsible for running both your Board and the Company's business. Having regard to the size of the Company, your Board sees no advantage in splitting these two roles. Directors express their views at regular meetings and make a valuable contribution to the running of the Company.
From December 2001 there have been four non-executive Directors, three of whom are independent directors.

Transparent procedure for the appointment of new Directors to the Board
There is no formal and transparent procedure for the appointment of new Directors to your Board and the Company does not have a nomination committee. Having regard to the size of your Board, any appointments of new Directors would be considered at regular Board meetings.

Statement about applying the Principles of Good Governance
Your Board is committed to the principles of openness and accountability in dealing with the Company's affairs. It believes it has always acted in the best interests of the Company and its stockholders and that this is reflected in the past success of the Company.

The senior independent non-executive director is the primary point of contact for all staff of the Company to raise in confidence concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement.

The Company has applied the Principles of the Combined Code by complying with The Code of Best Practice as reported above. Given the detailed explanations above for the areas of non-compliance, your Board feels there is no fundamental reason for changing its policies in relation to the Combined Code and firmly believes its stockholders will support this view.

Audit Committee
The Audit Committee comprises three independent directors; D. R. L. Hunting, R. E. Wade and J. A. Wild (Chairman).

The external auditors report to the Directors and the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the Company.

The terms of reference for the Audit Committee is available to stockholders on written request to the Company Secretary.

Internal Control and Risk Management
Your Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate those risks associated with the achievement of business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Combined Code includes a requirement that the Directors review, at least annually, the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. The Group last reviewed the effectiveness of the Group's system of internal controls dated December 2004.

REPORT OF THE DIRECTORS *continued*

In accordance with the Turnbull Guidance, your Board has established a defined process for identifying, evaluating and managing the significant risks faced by the Group. This has been in place since October 2000 and up to the date of approval of the Annual Report and Accounts. It consists of:

- the preparation of a formal risk and control matrix for each activity of the Group which identifies key risks, together with the controls in place to minimise these risks and the management responsible for operating the controls, and for reviewing the proper operation of the controls;
- the establishment of a procedure under which management are required to report to the Board on maintenance of these controls and provide feedback on the status of the controls on a regular basis; and
- the establishment of a regular bi-annual process of reporting any exceptions.

This risk and control matrix is prepared and the bi-annual review undertaken by independent consultants experienced in investment and accounting matters.

Where required, during 2005, steps will be taken to deal with the areas of improvement brought to the notice of the Board.

Attendance at meetings
Board and committee meetings held in the year ended 31 December 2004

	Board meetings	Audit	Remuneration
Number of meetings in year	7	1	1
C. R. W. Parish	7	1	–
The Hon. Mrs E. C. Parish	–	–	–
E. W. Houston	6	1	–
D. R. L. Hunting	7	1	1
R. E. Wade	7	1	1
J. A. Wild	7	1	1

The Board receives a steady flow of information to enable it to discharge its duties, including a monthly report detailing current and forecast trading results and treasury positions. It also receives a share register analysis on a regular basis. Board papers are generally distributed not less than five days in advance to allow the directors to prepare fully for meetings, and minutes of the Audit and Remuneration Committee meetings are circulated to all directors. In the very few instances when a director has not been able to attend Board or other meetings, his/her comments on the papers to be considered at that meeting have been relayed in advance to the relevant Chairman.

Going Concern
Your Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company and the Group consist mainly of listed securities which are readily realisable and whose market values far exceed current or foreseeable liabilities.

Registered Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting. The auditors have indicated their willingness to continue in office.

Registered Office
41 Cheval Place,
London, SW7 1EW
22 April 2005

By Order of the Board
C. E. J. Burman, FCA
Secretary

REMUNERATION REPORT
for the year ended 31 December 2004

Remuneration policy
not audited
The role of the Remuneration Committee is to decide the remuneration of the executive Directors.

The Company's policy on remuneration is to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business.

Consistent with this policy, the Company's benefit package awarded to C.R.W. Parish, one of the executive Directors, is intended to be competitive and comprises a mix of performance-related and non-performance-related remuneration designed to motivate him, but not to detract from the goals of Corporate Governance.

The benefit packages of The Hon. Mrs. E. C. Parish, the other executive Director and the non-executive Directors are at levels which are not related to the performance of the Company.

The targeted composition of each executive Director's remuneration is as follows:

	Non-performance related	Performance-related
C.R.W. Parish	50%	50%
The Hon. Mrs. E. C. Parish	100%	0%

Directors' service contracts
not audited
The executive Directors do not have service contracts with the Company.

It is the Company's policy that the service contracts of the non-executive Directors should be no more than three years in duration, that they should have notice periods of not more than one year and that contractual termination payments should not exceed the Director's salary for the previous calendar year.

The details of the service contracts of the non-executive Directors who served during the year are:

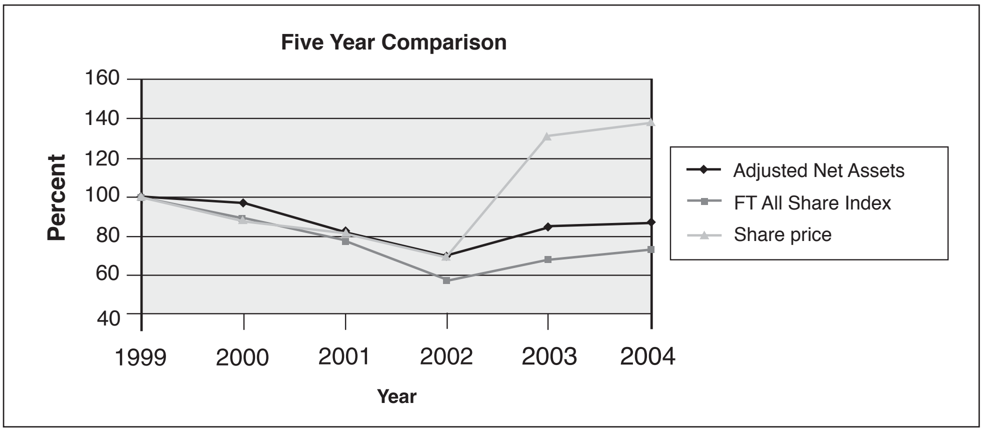
	Contract date	Unexpired term	Notice period	Contract and termination payments
E. W. Houston	6.12.2004	2 years 11 months	1 year	nil
D. R. L. Hunting	6.12.2004	2 years 11 months	1 year	nil
R. E. Wade	6.12.2004	2 years 11 months	1 year	nil
J. A. Wild	6.12.2004	2 years 11 months	1 year	nil

Members of the Remuneration Committee
not audited
The members of the remuneration committee during the year were:
D. R. L. Hunting
R. E. Wade
J. A. Wild (Chairman)

REMUNERATION REPORT *continued*

for the year ended 31 December 2004

Performance graph
not audited



The Company's adjusted net asset value (revised – see note 9), which includes investments at market value and Directors' valuation (net of tax calculated at 30% on the valuation uplift), has declined over the last five year period by 14% compared with a decline in the FTSE-All Share Index over this period by 26%, while its share price has increased by 39% over this period.

The adjusted net asset figures that have been used for the years 1999 to 2001 are based on the merging of the El Oro and Exploration Company p.l.c. and El Oro Mining and Exploration Company p.l.c. groups and eliminating the associated company elements contained within them.

In the opinion of the directors, the FTSE-All Share Index is the most appropriate index against which the total shareholder return of the Company should be measured because it is an index of similar-sized companies to the Company.

Directors' detailed emoluments
audited

Directors' emoluments comprise:

	Fees £	Salary and other remuneration £	Performance Bonus £	Pension Contributions £	2004 £	2003 £
Executive Directors						
C. R. W. Parish (Chairman)	1,750	168,550	85,000	28,320	283,620	313,700
The Hon. Mrs. E. C. Parish	1,350	–	–	–	1,350	1,350
Non-Executive Directors						
E. W. Houston	10,000	–	–	–	10,000	10,000
D. R. L. Hunting	18,000	–	–	–	18,000	10,000
R. E. Wade	18,000	–	–	–	18,000	10,000
J. A. Wild	25,000	–	–	–	25,000	10,000
Total 2004	**£74,100**	**£168,550**	**£85,000**	**£28,320**	**£355,970**	
Total 2003	£43,075	£154,275	£130,000	£27,700		£355,050

The Chairman's emoluments for the year ended 31 December 2004 are detailed in the above table.

The performance bonus is conditional on a dividend of at least 1p per stock unit being paid to stockholders and is then payable at a maximum rate of 5% of the remaining profit after taxation. The Directors have determined that a bonus of £85,000 (2003: £130,000) is payable for the year ended 31 December 2004.

No Director waived emoluments in respect of the year ended 31 December 2004 (2003: £nil).

REMUNERATION REPORT *continued*
for the year ended 31 December 2004

Interests in shares
not audited

The interests of your Directors who held office during the year in the Company's stock units of 5p each were as follows.

	31 Dec 2004		1 Jan 2004	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
C. R. W. Parish	**1,682,481**	**1,529,128**	1,610,796	1,481,628
The Hon. Mrs. E. C. Parish	**362,851**	**–**	342,851	–
E. W. Houston	**1,110,383**	**519,033**	1,085,693	506,533
D. R. L. Hunting	**248**	**–**	248	–
R. E. Wade	**55,712**	**–**	43,212	–
J. A. Wild	**20,000**	**–**	20,000	–

As a result of C. R. W. Parish being both a beneficiary and a trustee of several family trusts his interests in the non-beneficial Stock units of the Company contain a degree of duplication with the substantial stockholders interests detailed in the Directors Report.

No other changes to the interests of Directors have been made to the date of this report.

During the year, none of your Directors had any beneficial interest in any contract to which the Company or the Subsidiary Companies were a party, except in relation to the Walcot Hall Estate. This beneficial interest is referred to in this report and in note 21.

Directors' pension entitlement
audited
The Company contributes to a Self Investing Personal Pension Plan for C. R. W. Parish with contributions payable up to normal retirement age of 65 years on 5 January 2015 or earlier retirement. The premium paid in the year ended 31 December 2004 amounted to £28,320 (2003: £27,700). There are no contributions outstanding or prepaid at 31 December 2004 (2003: £nil).

On behalf of the Board

J. A. Wild
Chairman of the Remuneration Committee
22 April 2005

THE FOLLOWING TABLE SHOWS THE PROGRESS OF EL ORO AND EXPLORATION COMPANY p.l.c.

	THE EXPLORATION COMPANY p.l.c.				EL ORO MINING AND EXPLORATION COMPANY p.l.c.			
Year	**Dividends declared (net) %**	**Profit/(loss) before Tax £**	**Issued Capital £**	**Net Asset at Market Valuation or Directors' Valuation £**	**Dividends declared (net) %**	**Profit/(loss) before Tax £**	**Issued Capital £**	**Net Asset at Market Valuation or Directors' Valuation £**
1950	-	2,991	157,777	107,261	-	1,644	292,202	160,047
1951	-	22,951	157,777	129,574	-	24,655	292,202	184,725
1952	-	6,104	157,777	136,398	-	1,363	292,202	186,686
1953	-	29,756	157,777	166,518	-	36,925	166,972	22,933
1954	-	47,134	157,777	237,627	-	60,470	166,972	319,256
1955	-	13,230	320,634	552,845	-	7,318	185,922	353,165
1956	-	20,600	320,634	580,245	-	17,533	186,972	375,284
1957	-	13,851	375,000	624,903	-	3,754	236,972	404,899
1958	3.06	98,297	375,000	836,633	3.06	56,519	236,972	544,862
1959	3.68	90,125	375,000	1,294,943	3.68	65,846	300,000	1,021,310
1960	4.29	72,850	400,000	1,185,437	4.29	53,327	300,000	855,431
1961	1.53	97,029	600,000 *	1,261,848	1.53	44,870	450,000	892,466
1962	1.84	120,509	600,000	1,336,996	1.84	56,125	450,000	962,447
1963	2.45	136,085	600,000	1,651,454	2.45	92,859	450,000	1,188,391
1964	2.94	126,781	600,000	2,008,771	2.94	86,576	450,000	1,474,511
1965	5.88	157,264	600,000	2,258,181	5.88	104,685	450,000	1,651,027
1966	5.88	126,317	600,000	2,084,257	5.88	89,228	450,000	1,516,048
1967	11.75	184,054	600,000	3,256,899	11.75	139,202	450,000	2,492,348
1968	11.75	280,914	600,000	4,773,113	11.75	164,591	450,000	3,722,257
1969	11.75	176,789	600,000	5,194,065	11.75	132,968	450,000	3,963,291
1970	6.13	210,573	600,000	4,190,789	6.13	167,726	450,000	3,213,921
1971	6.13	378,863	600,000	4,413,814	6.13	322,473	450,000	3,315,685
1972	7.00	274,672	600,000	5,655,161	7.00	234,987	450,000	4,254,626
1973	7.04	256,814	600,000	4,029,713	7.04	176,011	450,000	3,210,061
1974	7.17	231,264	602,646 +	3,875,955	7.17	182,673	451,113	3,052,782
1975	8.06	443,110	602,646	5,091,975	8.06	355,833	451,113	3,821,366
1976	9.00	559,879	602,646	4,393,499	9.00	456,732	451,113	3,377,804
1977	10.05	702,992	602,646	5,922,335	10.05	544,471	451,113	4,257,605
1978	11.54	780,287	602,646	6,417,405	11.54	566,937	451,113	4,589,108
1979	14.00	711,962	602,646	7,673,981	14.00	551,087	451,113	5,654,320
1980	17.50	947,985	602,646	9,709,921	17.50	739,037	451,113	7,147,841
1981	21.00	1,032,601	602,646	9,554,229	21.00	745,668	451,113	6,699,295
1982	24.50	926,667	602,646	11,463,211	24.50	739,873	451,113	7,881,703
1983	63.00	1,295,151	602,646	14,682,943	63.00	1,040,894	451,113	11,040,026
1984	42.00	1,111,935	602,646	15,440,172	42.00	882,791	451,113	11,504,985
1985	46.15	1,225,978	602,646	15,233,310	46.15	1,011,557	451,113	11,586,431
1986	50.00	1,451,334	602,646	20,238,397	50.00	1,185,397	451,113	15,823,277
1987	75.00	1,859,803	602,646	24,851,990	75.00	1,447,315	451,113	19,710,991
1988	100.00	2,189,351	602,646	26,606,199	100.00	1,712,278	451,113	19,741,508
1989	120.00	2,879,131	602,646	32,328,183	120.00	2,567,259	451,113	25,448,777
1990	240.00	2,961,319	602,646	26,581,117	240.00	2,382,239	451,113	20,418,932
1991	240.00	2,075,120	602,646	29,887,400	240.00	1,666,051	451,113	25,423,822
1992	240.00	2,481,252	602,646	30,588,772	240.00	1,935,122	451,113	26,944,101
1993	200.00	1,722,587	602,646	40,510,012	200.00	1,546,932	451,113	36,927,938
1994	200.00	2,296,357	602,646	38,468,620	200.00	1,884,186	451,113	31,414,422
1995	210.00	2,331,234	602,646	42,692,619	210.00	1,962,909	451,113	40,609,985
1996	220.00	3,074,173	602,646	49,066,701	228.00	2,746,454	451,113	41,950,851
1997	230.00	2,204,613	602,646	50,279,497	235.00	1,840,458	451,113	45,087,651
1998	240.00	5,406,542	602,646	44,128,780	245.00	4,271,443	451,113	35,861,218
1999	270.00	5,621,549	602,646	51,650,997	260.00	4,036,102	451,113	44,300,703
2000	270.00	1,690,006	602,646	47,333,362	260.00	2,076,730	451,113	43,656,695
2001	210.00	(75,552)	602,646	40,924,033	260.00	1,921,428	451,113	37,942,826
2002	210.00	2,049,124	602,646	37,353,176	260.00	1,434,175	451,113	36,830,273

EL ORO AND EXPLORATION COMPANY p.l.c. (formerly The Exploration Company p.l.c.)

2002	210.00	2,321,415	597,146	52,724,264**
2003	220.00	3,938,278	597,146	64,963,076**
2004	230.00	3,025,205	592,045	67,905,581

The above table for The Exploration Company p.l.c. and El Oro Mining and Exploration Company p.l.c. indicates the progress of the two companies from 1950 to 2002 applying the accounting principles adopted throughout that period. The table for El Oro and Exploration Company p.l.c. indicates the progress for the last two years of the Group applying the currently adopted accounting principles as outlined in the notes to the accounts, note 1.

The dividend declared (net) figure is expressed as a percentage of the amount paid/payable per stock unit against the 5p issue value of each stock unit.

The only new money raised during the above period was in aggregate £358,180.

Since 1958 the amount paid or to be paid:	
In dividends was	24,727,178
In taxation was	19,234,875
	£43,962,053

* Bonus issue of one unit for every two units held.
** Revised – see notes to the accounts, note 9.
\+ 52,925 stock units issued to members exercising their options to take additional stock units in lieu of cash dividend.

From 1970 onwards the accounts incorporate the Company's share of the result of the Associated Undertakings.

The middle market price per stock unit at 31 December 2004 was 405p (which with 1 for 2 bonus in 1961 equals 426p) compared with a middle market price of 2p per stock unit at 31 December 1950.

CHAIRMAN’S STATEMENT

results for the year ended 31 December 2004

The Group profit before tax was £3,025,205 (2003: £3,938,278) after £628,962 expenses relating to the sale of Danby Registrars Limited which was completed on 14 January 2005 (2003: £795,810 merger expenses) and interest payable. Group net assets, taking investments at market value, were £67,905,581 (equal to 573p per stock unit) against £64,963,076 (revised) (equal to 544p per stock unit) an increase of 4.53% compared with a rise of 9.21% for the FTSE All Share index over the same period.

Total net assets at market value or Directors' valuation show an increase of £2,942,505 compared to last year.

A first and final dividend is proposed for the year ended 31 December 2004 of 11.50p (2003: 11.0p) per stock unit, which, subject to approval at the Annual General Meeting, will be paid on the 26 October 2005 to members registered in the books of the Company at the close of business on 17 June 2005.

The power of the portfolio, like this year’s exceptional Oxford crew, became apparent in the middle of last year’s course, with outstanding contributions from the ever-consistent J. Halstead, Hardy & Hanson, Daejan, Mountview, Young & Co. and East Surrey, amongst others. Their solid performance at the heart of the portfolio was accentuated by the takeovers of Glenmorangie and Peel Holdings, and mingled amongst these UK Nationals were strong performances from the overseas contingent, with particular thanks to Troy Resources, Uruguay Minerals and WMC Resources. The holding in the latter, headed by a former winning Oxford stroke, and first purchased by my father for the company in May 1964, has recently agreed to a merger with BHP Billiton, after gradually slipping from its status as the premier Australian mining house. Against these stellar gains must be set reduced share prices for some of our South African mines, as a result of the strength of the Rand and its government’s peculiar policies.

Towards the end of the year, non-family shareholders approved the transfer of the company’s Walcot Hall property to myself in exchange for the cancellation of an equivalent value in shares: this realised one of the company’s most successful investments of all time, at a price almost 200 times book cost, and removes an asset which like many similar properties, has been loss-making for a number of years. Simultaneously, the number of shares in issue has been reduced, at a price substantially below asset value. The subsequent performance of the share price, now comfortably ahead of the cancellation level agreed in September, would appear to confirm the benefits achieved by the company, notwithstanding the costs of undertaking the exercise. My thanks are due to my non-executives and advisers for undertaking this, at times tortuous, process so skilfully. Final court sanction was granted in mid-January.

The wondrous wave of wealth that has washed around the Western World may well have raised most ships, creating the anomalous situation where mobile telephone handsets have become a commodity in massive surplus, and ubiquitous and ever-abundant copper the metal in short supply; its price, along with that of coal and many other metals, escalated beyond the hopes and expectations of most miners, as indeed have freight rates, to the surprise and delight of freighters. The magic wand of China and its transformation into a modern manufacturing nation, has mesmerised the mining world and opened an Aladdin’s cave of potential riches, despite the world averting its gaze from China’s grotesque human rights record.

Our long-established mines have been beneficiaries of improved metal prices and we have high hopes of our newer investments, although undoubtedly there will be failures along the route. We are encouraged by those mines and prospects we have visited, especially in the benign and hospitable economic climate of Botswana; although we remain more circumspect of South Africa, where investment is not only encumbered by a strong rand, but by an ultimate intent to redistribute wealth according to colour, and where former Archbishop Tutu’s criticism of a small coterie being enriched instead of a more even re-distribution, is met with abuse.

The compassion or convenience with which some Western leaders, not to mention sparring partners for the leadership of the Labour party, have espoused the cause of Africa, brandishing the panacea of debt relief, is sadly oblivious to the phenomenal failings of every previous effort to bring succour to that continent, not to say somewhat obscene in their refusal to deal decisively with the perpetrators of the destruction of Zimbabwe and murderers of Darfur.

CHAIRMAN'S STATEMENT *continued*

Paul Theroux, traveller and former teacher's theory that some governments in Africa depend on underdevelopment to survive: 'they needed poverty to obtain foreign aid, they needed ignorance and uneducated and passive people to keep themselves in office for decades' (Dark Star Safari) seems uncomfortably close to the truth, and something no amount of debt relief will amend. As Patrick Marnham opines, in 'Fantastic Invasion': 'The purpose of African resistance to the North is to reject the alien uniformity which the North strives to impose on the unnerving variety of African life. This variety... challenges the necessity for the progress, control, authority and research with which we order our lives. We fear Africa because, when we leave it alone, it works'.

The Twin Peaks of the present leadership of Britain have promised £2bn of taxpayers' money to sink into this morass. More pertinently for your company, the prospect of cancelling debt for gold both threatens the livelihood of many African gold-producers and also promises no alteration to the suspended state of misery of a continent whose leaders prefer the largesse of BMWs and shopping sprees for their wives to the welfare of their people. A preferable solution would seem to be a revaluation of the IMF gold reserves to the prevailing market price. Meanwhile, the mining boom has created more jobs North of South Africa than in any other industry, the converse occurring in South Africa itself.

Sadly, there are some similarities with that analogy in the United Kingdom itself, where the number of jobs lost in manufacturing almost matches those created in the civil service. The benefits of this realignment are only apparent to the occupants of those jobs and the advertising income of the Guardian. Farming faces an uncertain future, accentuated by the complexity of the single payment scheme, the transfer of resources from the United Kingdom, via the sticky hands of Brussels bureaucrats, to the emerging economies of Eastern Europe, and the refusal of DEFRA to countenance a cull of TB-infected badgers.

The Deputy Prime Minister, fresh from his triumph on regional assemblies, now ignores the mentor of his Oxford college, John Ruskin 'when we build, let us think we build for ever', and the writer of Proverbs XX11,v28: 'remove not the ancient landmark, which thy fathers have set'; sending his 'Pathfinder' teams to search those areas of Toxteth, Oldham and Newcastle left unscathed by the savagery of the 60's and bombing raids of the Luftwaffe, to destroy the remaining and restorable Victorian and Georgian terraces and villas of those often-renascent areas. Older shareholders will recall that the earlier Pathfinders, including my uncle, led the British bombers on their sorties over occupied Europe. All this, whilst paying lip-service to the 'environment' and insisting on the blight of triple-glazed windows to save heating costs.

From the mundane to the marvelous, the quirky and the hidden, Britain's best built and familiar buildings, such as the Woolwich Arsenal, are under threat from the helter-skelter onslaught into owner-equity, based on the dubious premise of ever ascending house prices. The impecunity of the Strategic Rail Authority allied to the absence of aesthetic sense within the South Shropshire District Council has provoked the sudden despatch into rubble of Craven Arms's century-old Railway sheds, with their fluted columns and superb tiles, making way for a conical bio-digester, and a mile up the A49 a horrendous multi-storey eyesore, funded by more euro-shuffle money, hides the view of Shropshire's Secret Hills from the A49 and the recently-erected building designed to promote them. Rumours persist that this replacement of the old cattle market, once graced by the moniker 'Gateway to the Marches', is to house yet more civil servants.

The removal of the words 'Crown' and 'Royal' further this erosion of Britain's landmarks and legacy. The taxpayers and savers of Britain are at the same time excluded from Britain's top universities by 'Offa' insisting on a class rather than academic qualification: 'The more superstitious restrictions in the land, the poorer the people. The more legislation there is, the more thieves and robbers increase. Therefore, when the government is meddlesome, the people are in want. This has bewildered men from time immemorial'. Lao-Tse, 660BC.

Whilst the face of our beloved Britain remains under threat, not least from windmills mentioned in previous reports, our own accountancy standards become ever more onerous. The implementation of IFRS, in particular IAS39, is referred to

CHAIRMAN'S STATEMENT *continued*

elsewhere in this report. IFRS is described by the Chief Executive of AXA as 'neither improving the transparency of accounts nor making them more comparable, and stifling European growth.' For your own company, their introduction will involve yet more work, and hence cost, and moreover IAS39 will create, where a profit is achieved but not realised, a requirement for additional funding in order to pay the ensuing tax liability. We do not think there is any evidence that standards of accounting and protection of shareholders will thereby be enhanced. These are additional obstacles to the successful administration of the portfolio, although none are themselves insurmountable.

More disturbing is the fragility of Europe: the cracks long ago discerned by the sceptics are now, with the demise of the stability pact, economic malaise of Germany and disenchantment within France, beginning to gape ominously. Winston Churchill's comment on Admiral Graf Von Spee's fleet "like a flower in a vase, fair to see but doomed to die" is starting to look applicable to the Euro and even the EU itself. The dollar's vulnerability, as a result of the trade deficit, and stuttering US stock markets in conjunction with a rising interest rate bias, herald caution for the medium-term. It is only a few years since the US removed its 30 year bond, yet France has now issued a 50 year bond, and Britain plans the same.

Part of their attraction, or raison d'etre for their purchase, lies in the regulatory regime that requires certain insurance and pension funds to keep a higher percentage of their assets in fixed interest and government bonds, rather than equities. Having seen the fate of War Loan and Consols issued by previous governments, we would rather run with the elephants, who headed for the hills before the Tsunami, than join that particular bandwagon. Nevertheless, should those rates on offer prove ultimately attractive, the outlook for their issuing economies is grim indeed.

Riding with a possible 'Bond Bubble' is the old chestnut of a housing bubble, which with an increasing percentage of properties in the 'buy-to-let' category, and rising interest rates, both here and in the United States, combined with the travails of Fannie Mae and other loan organisations, no longer seems merely a remote possibility. Unfortunately determined or panicking sellers could make this a reality.

In conclusion and looking ahead, we see no reason to disagree with Billy the Kid: "I got to the time that I don't do nothing unless there is a piece of gold attached to it". Whilst showing a tiny uplift on the price at the same time last year, we continue to regard Gold as our safe-haven through a multitude of uncertainties, particularly in the light of earlier comments about the Euro and the US$. The development of both China and India and their emergence as mega-economies and possibly powers, will underpin our exposure to minerals. Latin America, where we also have significant interests, will also benefit from its mineral and agricultural wealth, if it can avoid the maladroit and malign blandishments of Srs. Castro and Chavez.

There will certainly be upsets on the way, particularly in the present frenzy of new issues in the mining area, many of which will never come to production, like their recent forebears in the dot-com sector. There will also, inevitably, be hiccups in the speed of development of China, whose leaders are under no obligation to foster the economic well-being of the West. It would be naive to believe in a repeat of such a fortunate accumulation of factors as occurred in 2004. Nevertheless, our spread and depth of investments within the United Kingdom, and around the World, lend protection from a somewhat cloudy and threatening peep over the horizon of 2005. We will monitor the level of gearing, whose increase has stood us in good stead for the past few years by enabling us to build on and retain our core holdings. The more uncertain outlook for stock-markets over the next 18 months may tempt us to draw in our horns to some extent.

As always, our thanks are due to the crew at Cheval Place: Abbie's magnificent mastery of the settlement side; newly-married Rosanna's concise command of communications, and Chris's deft direction, assimilation and production of figures amongst a raft of new regulations and requirements. I would also like to thank my co-directors and advisers for their assistance and advice through an eventful and successful year.

C. Robin Woodbine Parish
Chairman
22 April 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	Notes	2004 £	2003 £
Income from investments	2	**5,850,165**	6,692,463
Management expenses	3	**1,459,975**	1,477,847
Operating profit		**4,390,190**	5,214,616
Exceptional costs (see below)		**628,962**	795,810
Profit on ordinary activities before interest payable		**3,761,228**	4,418,806
Interest payable			
Banks		**716,455**	474,928
Other		**19,568**	5,600
		736,023	480,528
Profit on ordinary activities before taxation		**3,025,205**	3,938,278
Taxation	5	**1,083,787**	1,452,064
Profit on ordinary activities after taxation		**1,941,418**	2,486,214
Dividends	4	**1,245,606**	1,313,455
Retained profit for the year	14	**£695,812**	£1,172,759
Dividend per Stock unit		**11.50p**	11.00p
Earnings per Stock unit (Basic and diluted)			
Before exceptional costs	6	**21.55p**	27.48p
After exceptional costs	6	**16.28p**	20.82p

The exceptional costs for the current year, for which no corporation tax allowance may be claimed, relate to the sale of Danby Registrars Limited to a company owned by C. R. W. Parish, while the exceptional costs in the prior year relate to the merger costs incurred in that year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2004

	2004 £	2003 £
Profit on ordinary activities after taxation	**1,941,418**	2,486,214
(Decrease)/increase in value of investment properties	**(4,621)**	84,414
Total recognised gains for the year	**£1,936,797**	£2,570,628

The Company has taken advantage of the exemption under Section 230 of the Companies Act 1985 from presenting its own profit and loss account.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Other than the exceptional costs in the prior year all of the above results derive from continuing activities and there were no acquisitions in the year.

The accompanying notes are an integral part of this consolidated profit and loss account.

BALANCE SHEETS
at 31 December 2004

	Notes	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Fixed assets					
Tangible assets	7	**1,314,797**	1,104,155	**1,029,136**	144,009
Investments					
Subsidiary Companies	8	**–**	–	**493,249**	492,749
		1,314,797	1,104,155	**1,522,385**	636,758
Current assets					
Debtors	10	**385,153**	1,035,158	**319,765**	1,165,949
Investments	9	**39,733,209**	37,668,595	**39,726,234**	37,650,257
Cash and bank balances		**173,608**	431,691	**161,412**	383,763
		40,291,970	39,135,444	**40,207,411**	39,199,969
Creditors: due within one year	11	**15,358,040**	14,283,217	**29,227,791**	27,668,023
Net current assets		**24,933,930**	24,852,227	**10,979,620**	11,531,946
Total assets less current liabilities		**26,248,727**	25,956,382	**12,502,005**	12,168,704
Net assets		**£26,248,727**	£25,956,382	**£12,502,005**	£12,168,704
Capital and reserves					
Called up share capital	12	**592,045**	597,146	**592,045**	597,146
Share premium		**6,017**	6,017	**6,017**	6,017
Revaluation reserve	18	**199,635**	204,256	**29,793**	34,414
Capital redemption reserve	19	**294,182**	289,081	**294,182**	289,081
Merger reserve		**(149,798)**	(149,798)	**–**	–
Profit and loss account	14	**25,306,646**	25,009,680	**11,579,968**	11,242,046
Stockholders' funds (Equity)	20	**£26,248,727**	£25,956,382	**£12,502,005**	£12,168,704

The accounts on pages 16 to 31 were approved by the Board of Directors on 22 April 2005 and were signed on its behalf by:

C. R. W. Parish } *Directors.*

J. A. Wild

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2004

	Notes	**2004** **£**	2003 £
Net cash inflow from operating activities	15	**1,188,079**	5,397,358
Returns on investments and servicing of finance	16	**(702,759)**	(465,692)
Taxation	16	**(1,191,264)**	(821,239)
Capital expenditure and management of non-liquid resources	16	**(243,651)**	(523,221)
Cost of Stock units repurchased and cancelled	16	**(398,846)**	–
Equity dividends paid to stockholders	16	**(1,311,727)**	(1,223,911)
Net cash (outflow)/inflow before management of liquid resources		**(2,660,168)**	2,363,295
Management of liquid resources	16	**1,215,227**	(5,358,720)
(Decrease) in cash in the year	17	**£(1,444,941)**	£(2,995,425)

Exceptional costs amounting to £628,962 (2003: £795,810) are included in the Net cash inflow from operating activities in the above statement.

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

(a) Basis of Accounting

The accounts have been prepared on the historical cost basis of accounting and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom as modified by the revaluation of certain fixed assets (note 1e).

(b) Group Financial Statements

The Group financial statements include those of the wholly-owned Subsidiary companies, which are incorporated in England, as set out in note 8.

(c) Investment Income

Income from investments includes all dividends, rents and interest on non-government securities receivable within the year.

(d) Investments

Listed investments and investments for which the primary market is a recognised exchange are stated in the balance sheet at the lower of cost and market value at the balance sheet date. Unlisted investments are stated at the lower of cost and Directors' valuation at the balance sheet date. Overseas investments are translated at the exchange rate ruling at the balance sheet date.

The Company sells securities and options that is does not own and it will, therefore, be obliged to deliver such securities at a future date. The Company records a liability for such transactions. To the extent that an additional liability arises from a market movement, any shortfall in value is recognised as an increase in provision for diminution in value of these investments.

The Company buys options. To the extent that an additional liability arises from market movements, any shortfall in value is recognised as an increase in provision for diminution in value of this option.

The Company also holds forward contracts in gold, silver and palladium. To the extent that an additional liability arises from the market movement, any shortfall in value is recognised as an increase in provision for diminution in value of these contracts.

(e) Fixed Tangible Assets

The cost of freehold properties, fixtures and fittings and computer equipment includes purchases at cost, and any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on the basis shown below over the expected useful economic lives of the assets concerned. The rates used for this purpose are:

Freehold properties	0%
Fixtures and fittings	10% or 20% (on reducing net book value)
Computer equipment	33 1/3 % (on straight line basis)

Freehold properties are maintained such that the residual values of these properties, based on prices prevailing at the time of acquisition or subsequent valuation, are at least equal to their book values. Having regard to this, it is the opinion of the directors that the effect of depreciation and amortisation on value is already reflected in the book value. Had the provisions of the Act been followed, the operating loss would have increased by approximately £14,000 (2003: £12,000) (assuming annual depreciation of 2%) for this and earlier years. This would have also had a cumulative effect reducing net assets in each year.

Investment properties are included in the Balance Sheet at market value, with the difference between this value and cost being recorded in the Revaluation reserve.

(f) Deferred Taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed at the balance sheet date. Such assets and liabilities are not discounted. No provision is made for taxation on permanent timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

(g) Pension Costs

The Company contributes to a Self Investing Personal Pension Plan for the benefit of C. R. W. Parish. The assets of the scheme are held separately from those of the Company in an independently administered fund. Payments to the pension scheme are accounted for in the year in which they arise. The Company also contributes to a Pension Plan for two of its employees. Payments to these Pension Schemes are also accounted for in the year in which they arise.

NOTES TO THE ACCOUNTS *continued*

1. ACCOUNTING POLICIES *continued*

(h) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(i) Adoption of International Financial Reporting Standards

With effect from 1 January 2005, the Group, as a listed company is required to prepare its financial statements under International Financial Reporting Standards ("IFRS").

The Group will report under IFRS for the first time when we announce the interim results for the period to 30 June 2005.

The major impact to the Group under IFRS will be the adoption of the International Accounting Standard 39 ("IAS39") in respect of its current asset investments, short positions and options.

Under the previous accounting policy, these assets and liabilities have always been valued at the lower of cost and net realisable value. Under IAS39, they will be valued at realisable value.

The main accounting consequences of the change are:

1. On 1 January 2005, the investments at 31 December 2004 will be restated at market value, the net uplift being credited to the available for sale reserve. Corporation tax will not become immediately payable on the uplift, but the potential tax liability will be charged against this reserve and credited to the deferred tax reserve. Corporation tax will not become payable on this uplift until these investments are sold.
2. At 31 December 2005 and in subsequent years, all investments will be included in the balance sheet at market value. The movement in value from the previous accounting date will be adjusted on the available for sale reserve, except that any permanent fall in value, or exchange rate adjustment, will be charged or credited to the profit and loss account. Any credit relating to a subsequent reversal of a permanent fall in value will be credited to the available for sale reserve. Corporation tax will become payable each year on the increase in the available for sale reserve during that year.
3. On disposal of an investment, the realised profit or loss will be charged or credited to the profit and loss account, and the unrealised profit or loss eliminated from the available for sale reserve. Corporation tax will then be payable on any profit not previously taxed.

2. INCOME FROM INVESTMENTS

	2004	2003
	£	£
Dividends from listed investments	**1,870,855**	1,833,055
Dividends from unlisted investments	**102,625**	180,517
Net profit/(loss) on investments realised	**2,697,571**	(2,010,090)
Currency translation profits/(losses)	**109,017**	(211,396)
Decrease in provisions for diminution in value of investments	**798,513**	6,629,135
Rent received	**230,646**	209,946
Interest received	**19,328**	33,561
Other	**21,610**	27,735
	£5,850,165	£6,692,463

Stocks with an original book value of £383,299 (2003: £3,455,584) which includes those that had been valueless for a number of years have been written out of the books during the year. The effect of this was to reduce the net profit on investments realised by £383,299 (2003: £3,455,584) and decrease the provisions for diminution in value of investments by £383,299 (2003: £3,455,584).

3. MANAGEMENT EXPENSES

		2004	2003
		£	£
General		**981,222**	959,740
Depreciation		**44,049**	39,375
Directors' emoluments		**355,970**	355,050
Auditors' remuneration - audit services	(Company £70,484 (2003: £70,609))	**77,484**	123,682
- non audit services	(Company £1,250 (2003: £–))	**1,250**	–
		£1,459,975	£1,477,847

Within merger expenses in the prior year, the Group expended Auditors' non audit services amounting to £59,509 and the Company expended £29,754.

NOTES TO THE ACCOUNTS *continued*

3. MANAGEMENT EXPENSES *continued*

Employees

The average weekly number of persons (including Directors) employed during the year was:	**2004**	2003
Investing	**1**	1
Administration	**13**	12
	14	13

	2004 £	2003 £
Employment costs	**599,568**	568,916
Social security costs	**53,259**	47,823
Pension costs	**50,505**	49,860
	£703,332	£666,599

4. DIVIDENDS

	2004 £	2003 £
Proposed dividend payable	**1,247,601**	1,313,722
Unclaimed dividends (forfeited)	**(1,995)**	(267)
	£1,245,606	£1,313,455

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
(a) Analysis of tax charge in year		
Current tax:		
UK corporation tax on profits for the year	**1,109,298**	1,444,136
Adjustments in respect of previous year	**(24,099)**	(21,091)
Tax losses brought forward	**–**	27,325
Total current tax	**£1,085,199**	£1,450,370
Deferred tax:		
Original and reversal of timing differences	**(1,412)**	1,694
Total deferred tax	**(1,412)**	£1,694
Tax on profit on ordinary activities	**£1,083,787**	£1,452,064

(b) Factors affecting tax charge for the year

The tax assessed is higher (2003: higher) than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

Profit on ordinary activities before tax	**3,025,205**	3,938,278
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003:30%)	**907,563**	1,181,484
Effects of:		
Expenses not deductible for tax purposes	**210,199**	259,540
Capital allowances in excess of depreciation	**(5,135)**	(14,422)
Income not subject to corporation tax	**(10,688)**	–
Depreciation in excess of capital allowances	**–**	696
Increase in excess tax losses	**7,359**	44,163
Adjustments to tax charge in respect of prior year	**(24,099)**	(21,091)
Current tax charge for the year	**£1,085,199**	£1,450,370

The Group expects to be able to claim capital allowances in excess of depreciation in future periods reversing the position previously where depreciation has been higher than capital allowances.

NOTES TO THE ACCOUNTS *continued*

6. EARNINGS PER STOCK UNIT

The basic and diluted earnings per stock unit is based on the profit on ordinary activities after taxation of £1,941,418 (2003: £2,486,214) and on the weighted average number of stock units of 11,928,538 (2003: 11,942,927) stock units of 5p each in issue.

	2004	2003
Before exceptional costs	**21.55p**	27.48p
After exceptional costs	**16.28p**	20.82p

The exceptional costs in the current year relate to the sale of Danby Registrars Limited to a company owned by C. R. W. Parish, while the exceptional costs in the prior year relate to the merger costs in that year. No corporation tax allowance may be claimed for either of those costs.

7. FIXED ASSETS

Group	**Freehold properties (at cost) £**	**Investment properties (at value) £**	**Fixture, fittings and computer equipment (at cost) £**	**Total £**
Cost or value				
At 1 January 2004	**376,138**	**477,309**	**506,403**	**1,359,850**
Movement in value of investment properties	–	**(4,621)**	–	**(4,621)**
Additions in the year	**63,477**	**138,787**	**57,048**	**259,312**
At 31 December 2004	**439,615**	**611,475**	**563,451**	**1,614,541**
Depreciation				
At 1 January 2004	–	–	**255,695**	**255,695**
Charge for the year	–	–	**44,049**	**44,049**
At 31 December 2004	–	–	**299,744**	**299,744**
Net book value				
At 31 December 2004	**£439,615**	**£611,475**	**£263,707**	**£1,314,797**
At 31 December 2003	£376,138	£477,309	£250,708	£1,104,155

Company				
Cost or value				
At 1 January 2004	–	**127,309**	**95,109**	**222,418**
Acquired from Group Company	**744,200**	–	**10,915**	**755,115**
Additions in the year	–	**138,787**	**17,977**	**156,764**
Movement in value of investment properties	–	**(4,621)**	–	**(4,621)**
At 31 December 2004	**744,200**	**261,475**	**124,001**	**1,129,676**
Depreciation				
At 1 January 2004	–	–	**78,409**	**78,409**
Acquired from Group Company	–	–	**5,115**	**5,115**
Charge for the year	–	–	**17,016**	**17,016**
At 31 December 2004	–	–	**100,540**	**100,540**
Net book value				
At 31 December 2004	**£744,200**	**£261,475**	**£23,461**	**£1,029,136**
At 31 December 2003	£–	£127,309	£16,700	£144,009

Resulting from Danby Registrars Limited selling its freehold property investment in 41 Cheval Place at market value, to conform with group accounting policy this uplift in value has been elimated in the figures for the Group.

NOTES TO THE ACCOUNTS *continued*

7. FIXED ASSETS *continued*

	Investment properties £	Freehold properties £	Total £
Value of properties is as follows:			
At 31 December 2004			
Apartments - Auckland, New Zealand	**261,475**	**–**	**261,475**
41 Cheval Place - London	**–**	**744,200**	**744,200**
Walcot Hall and Estate - Shropshire	**350,000**	**2,750,000**	**3,100,000**
	£611,475	**£3,494,200**	**£4,105,675**
At 31 December 2003			
Apartments - Auckland, New Zealand	127,309	–	127,309
41 Cheval Place - London	–	750,000	750,000
Walcot Hall and Estate - Shropshire	350,000	2,750,000	3,100,000
	£477,309	£3,500,000	£3,977,309

41 Cheval Place was last valued in January 2004 by Allsop and Co, Chartered Surveyors, Walcot Hall and Estate were last valued in September 2004 by FPDSavills Limited, Chartered Surveyors and the Apartments in Auckland, New Zealand were last valued in April 2005 by A. J. Stevenson Property Management Limited. The increase in value of investment properties over book cost is credited to the revaluation reserve.

8. SUBSIDIARY COMPANIES

	Company 2004 £	2003 £
Shares in subsidiaries at cost	**£493,249**	£492,749

At 31 December 2004 the Company held the entire issued share capital of the following companies all of whom are registered in England and Wales and operate in England.

	Nature of business
Brickleaf Limited	In Liquidation
Danby Registrars Limited	Property Company
Investigations and Management Limited	Investment Company
El Oro Mining and Exploration Company Limited	Ceased Trading
General Explorations Limited	Dormant
Group Traders Limited	Dormant

El Oro Mining and Exploration Company Limited changed its name from El Oro Mining and Exploration Company p.l.c. on 6 April 2004.

It is the Directors intention that El Oro Mining and Exploration Company Limited will be dormant in the year ended 31 December 2005.

Brickleaf Limited was incorporated on 28 September 2004 and was put into liquidation on 29 November 2004, but remains on the Register of Companies at Companies House.

On 14 January 2005 Danby Registrars Limited was sold on a debt free, cash free basis to Perceval Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company.

NOTES TO THE ACCOUNTS *continued*

9. INVESTMENTS

	Group		Company	
	2004	2003	**2004**	2003
	£	£	**£**	£
(a) Investments at the lower of cost and market valuation or Directors' valuation as per the balance sheet:				
Listed - London Stock Exchange .	**17,446,066**	16,720,158	**17,439,091**	16,711,469
- London AIM	**3,711,531**	3,869,608	**3,711,531**	3,861,897
- International	**16,093,496**	14,483,282	**16,093,496**	14,483,282
	37,251,093	35,073,048	**37,244,118**	35,056,648
Unlisted	**2,482,116**	2,595,547	**2,482,116**	2,593,609
	£39,733,209	£37,668,595	**£39,726,234**	£37,650,257

	Group		Company	
	2004	2003	**2004**	2003
	£	£	**£**	£
(b) Investments at market valuation or Directors' valuation:				
Listed investments at market valuation	**72,017,408**	68,411,481	**72,008,993**	68,378,704
Unlisted investments at Directors' valuation	**5,364,493**	4,304,478	**5,364,493**	4,302,539
	£77,381,901	£72,715,959	**£77,373,486**	£72,681,243

If the Group's current asset investments were realised at their market valuations or at Directors' valuations there would be a potential corporation tax liability of £11,294,608 (2003: £10,514,209 (as amended)), calculated at the rate of 30% (2003: 30%). The potential corporation tax liability as at 31 December 2003 in respect of the Group's current asset investments has been amended from £12,214,076 to £l0,514,209.

The comparatives for net assets at market valuation or at Directors' valuation have been revised to bring them in line with those for the current year. The effect of this is to reduce the market value disclosed by the £1,706,894.

Creditors include short positions on options held, the book value of which is £128,481 (2003: £438,080) and the market value is £108,131 (2003: £420,712).

The Company has entered into forward contracts to purchase gold, agreeing to pay the sterling equivalent of £483,545 (2003: £1,448,795). The market value of these contracts at 31 December 2004 is £456,274 (2003: £1,556,834).

There is a general lien on all assets in favour of HSBC Bank plc, the Group's bankers, as security for all liabilities and obligations owed by the Group to the bank. There is also a lien on all assets in favour of Fiserv Securities, Inc as brokers, as security for all liabilities and obligations owed by the Group to Fiserv Securities, Inc.

10. DEBTORS

	Group		Company	
	2004	2003	**2004**	2003
	£	£	**£**	£
Due within one year:				
Amounts due from brokers for future settlements	**55,084**	848,183	**55,084**	848,183
Amounts due from Subsidiary companies	**–**	–	**–**	169,233
Other debtors	**300,552**	158,870	**260,163**	145,427
	£355,636	£1,007,053	**£315,247**	£1,162,843
Due after one year:				
Deferred taxation	**4,518**	3,106	**4,518**	3,106
Spital Square Limited (interest rate 12.93%)	**24,999**	24,999	**–**	–
	29,517	28,105	**4,518**	3,106
	£385,153	£1,035,158	**£319,765**	£1,165,949

The loan to Spital Square Limited becomes immediately repayable on the sale of the freehold property owned by that company.

NOTES TO THE ACCOUNTS *continued*

11. CREDITORS: due within one year

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Bank overdrafts – secured	**11,857,949**	10,766,869	**11,723,290**	5,148,585
Mortgage – secured	**147,929**	52,151	**147,929**	52,151
Short positions held (see note 9)	**128,481**	438,080	**128,481**	438,080
Amounts due to brokers for future settlements	**394,935**	273,695	**394,935**	273,695
Amount due to Group undertakings	**–**	–	**14,048,348**	19,180,525
Corporation tax	**846,027**	952,092	**846,027**	939,477
Other creditors	**380,216**	152,214	**365,181**	72,144
Unclaimed dividends	**81,949**	63,612	**81,949**	39,302
Accruals	**272,953**	270,782	**244,050**	210,342
Proposed dividend	**1,247,601**	1,313,722	**1,247,601**	1,313,722
	£15,358,040	£14,283,217	**£29,227,791**	£27,668,023

Creditors include short positions on options held, the book value of which is £128,481 (2003: £438,080) and market value is £108,131 (2003: £420,712).

There is a general lien on all assets in favour of HSBC Bank plc. the Group's bankers as security for all liabilities and obligations owed by the Group to the bank. There is also a lien on all assets in favour of Fiserv Securities, Inc, as brokers, as security for all liabilities and obligations owed by the Group to Fiserv Securities, Inc.

12. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised - 7,947,075 Shares of 5p each	**397,354**	397,354
11,942,927 Stock units of 5p each	**597,146**	602,646
	£994,500	£1,000,000
Issued - 11,840,898 (2003: 11,942,927) Stock units of 5p each, fully paid	**£592,045**	£597,146

The Company cancelled and repurchased 9,679 Stock units on 28 June 2004 and 92,350 Stock units on 22 October 2004.

On 14 January 2005 the Authorised Stock units of 5p each reduced by 992,197 to 10,950,730.

All stockholders receive equal voting rights.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The Group is committed to subscribe for securities within its normal course of business. At 31 December 2004 the committment totalled £852,345 (2003: £298,576).

14. PROFIT AND LOSS ACCOUNT

	Group £	Company £
Balance 1 January 2004	25,009,680	11,242,046
Retained profit for the year	695,812	736,768
Stock units repurchased and cancelled	(398,846)	(398,846)
Balance 31 December 2004	**£25,306,646**	**£11,579,968**

The cost of the Company cancelling and repurchasing 9,676 Stock units on 28 June 2004 was £40,405 and the cost of the Company cancelling and repurchasing Stock units on 22 October 2004 was £359,505 and the amount saved on the accrued dividend in the prior year in respect of the Stock units cancelled on 28 June 2004 was £1,064.

15. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2004 £	2003 £
Operating profit	**4,390,190**	5,214,616
Depreciation	**44,049**	39,375
(Decrease) in provision for diminution in investments	**(798,513)**	(6,629,135)
Net (profit)/loss on investments realised	**(2,697,571)**	2,010,090
Currency translation (profit)/losses	**(109,017)**	211,396
Decrease in debtors	**651,417**	5,310,633
Increase in creditors	**6,079**	36,193
Net cash inflow from operating activities	**1,486,634**	6,193,168
Cash outflow relating to exceptional costs	**(298,555)**	(795,810)
	£1,188,079	£5,397,358

NOTES TO THE ACCOUNTS *continued*

15. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS *continued*

The exceptional costs for the current year, for which no corporation tax allowance may be claimed, relate to the sale of Danby Registrars Limited to a company owned by C. R. W. Parish, while the exceptional costs in the prior year relate to the merger costs incurred in that year.

16. ANALYSIS OF CASH FLOW

Returns on investments and servicing of finance	2004 £	2003 £
Interest paid	**£(702,759)**	£(465,692)

Taxation	**£**	£
UK Corporation tax paid	**£(1,191,264)**	£(821,239)

Capital expenditure and management of non-liquid resources	**£**	£
(Purchase)/sale of fixed assets	**(259,312)**	(264,150)
Purchases of unlisted investments	**(1,992,719)**	(2,009,673)
Sales of unlisted investments	**2,008,380**	1,750,602
Net cash (outflow)	**£(243,651)**	£(523,221)

Cost of Stock units repurchased and cancelled	**£**	£
Cost of Stock units repurchased and cancelled	**£(398,846)**	£–

Equity dividends paid	**£**	£
Equity dividends paid to stockholders	**£(1,311,727)**	£(1,223,911)

Management of liquid resources	**£**	£
Purchases of listed investments	**(22,385,399)**	(45,497,283)
Sales of listed investments	**23,600,626**	40,138,563
Net cash inflow/(outflow)	**£1,215,227**	£(5,358,720)

17. ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 Jan 2004 £	Cash flow £	Other non-cash changes £	31 Dec 2004 £
Cash and bank balances	431,691	(258,083)	–	173,608
Bank overdrafts and mortgage – secured	(10,819,020)	(1,186,858)	–	(12,005,878)
	£(10,387,329)	**£(1,444,941)**	**£–**	**£(11,832,270)**
Current asset investments	37,668,595	1,215,227	849,387	39,733,209
Less: Unlisted securities	(2,595,547)	15,661	97,770	(2,482,116)
	£35,073,048	**£1,230,888**	**£947,157**	**£37,251,093**
Net funds	**£24,685,719**	**£(214,053)**	**£947,157**	**£25,418,823**

	2004 £	2003 £
(Decrease) in cash in year	**(1,444,941)**	(2,995,425)
Increase in current asset investments	**2,064,614**	5,102,469
Increase / (decrease) in unlisted securities	**113,431**	(358,064)
Change in net funds in the year	**733,104**	1,748,980
Net funds at 1 January	**24,685,719**	22,936,739
Net funds at 31 December	**£25,418,823**	£24,685,719

NOTES TO THE ACCOUNTS *continued*

18. REVALUATION RESERVE

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Balance 1 January 2004	**204,256**	119,842	**34,414**	–
(Deficit)/surplus arising on revaluation of investment property	**(4,621)**	84,414	**(4,621)**	34,414
Balance 31 December 2004	**£199,635**	£204,256	**£29,793**	£34,414

19. CAPITAL REDEMPTION RESERVE

	Group 2004 £	Group 2003 £	Company 2004 £	Company 2003 £
Balance 1 January 2004	**289,081**	289,081	**289,081**	289,081
Stock units repurchased and cancelled	**5,101**	–	**5,101**	–
Balance 31 December 2004	**£294,182**	£289,081	**£294,182**	£289,081

20. RECONCILIATION OF MOVEMENTS IN STOCKHOLDERS' FUNDS

	2004 £	2003 £
Retained profit for the year	**1,941,418**	2,486,214
Dividends	**(1,245,606)**	(1,313,455)
Revaluation reserve	**(4,621)**	84,414
Capital redemption reserve	**5,101**	–
Cost of Stock units repurchased and cancelled	**(398,846)**	–
Reduction of Stock units in issue	**(5,101)**	–
	292,345	1,257,173
Opening Stockholders' funds	**25,956,382**	24,699,209
Closing Stockholders' funds	**£26,248,727**	£25,956,382

21. RELATED PARTY TRANSACTIONS

A subsidiary Company, Danby Registrars Limited provided secretarial services to the Company and other members of the Group at a cost of £50,000 (2003: £50,000) and accommodation at a cost of £43,334 (2003: £52,000) during the year ended 31 December 2004.

The Company provided accommodation at a cost of £333 (2003: £nil) to Investigations and Management Limited, one of its subsidiary companies, from 1 November 2004.

Danby Registrars Limited also owns a property, Walcot Hall Estate in Shropshire, part of which is occupied by an executive Director of the Company, The Hon. Mrs. E. C. Parish, under a likely protected tenancy agreement entered into in 1957. The annual rental is £7,580 (2003: £7,850), the amount of rent due at 31 December 2004 was £nil (2003: £nil) and no amount has been written off in respect of amounts due from The Hon. Mrs. E. C. Parish during the year. The Hon. Mrs. E. C. Parish allowed the Chairman and Managing Director of the Company, C. R. W. Parish, and his family, and her daughter Mrs S. W. Kumaramangalam and her family to reside in the property throughout the year.

Danby Registrars Limited owes C.R.W. Parish £467 (2003:£2,456) in respect of deposits paid by him to that company for personal expenditure to be paid for by that company on his behalf.

The Walcot Hall and Estate is the major asset in Danby Registrars Limited and has a market value of £3,100,000 (2003: £3,100,000).

On 14 January 2005 Danby Registrars Limited was sold on a debt free, cash free basis to a company wholly owned by C.R.W. Parish, the Chairman of the Company.

NOTES TO THE ACCOUNTS *continued*

21. RELATED PARTY TRANSACTIONS *continued*

The pre-tax loss attributable to the Walcot Hall Estate in the financial year ended 31 December 2004 was £162,319 (2003: £158,289).

C. R. W. Parish also pays rent of £2,040 (2003: £2,040) per annum to Danby Registrars Limited, as he resides on the Walcot Estate. The amount of rent due at 31 December 2004 was £nil (2003: £nil) and no amount has been written off in respect of amounts due from C. R. W. Parish. Mrs S. W. Kumaramangalam also pays rent of £6,100 (2003: £4,850) per annum to Danby Registrars Limited, in repect of her residing on the Walcot Hall Estate. The amount of rent due at 31 December 2004 was £2,500 (2003: £nil) and no amount has been written off in respect of amounts due from Mrs S. W. Kumaramangalam.

In addition Danby Registrars Limited owned 41 Cheval Place, the Group's registered office until 1 November, when that company sold it to El Oro and Exploration Company p.l.c. for a total consideration of £750,000. C. R. W. Parish, The Hon Mrs E. C. Parish and E. W. Houston paid accommodation costs to Danby Registrars Limited and El Oro and Exploration Company p.l.c. for use of Cheval Place. During the year this amounted to £2,160 (2003: £1,924). No amounts remain outstanding at the year end (2003: £nil).

Danby Registrars Limited had an outstanding loan from a shareholder of El Oro and Exploration Company p.l.c. as follows:

	2004	2003
	£	£
Mrs S. W. Kumaramangalam		
Unsecured loan – £30,000 repaid on 31 March 2004 and £40,000 on 31 December 2004	–	70,000
Interest paid in year	**3,800**	5,600

C. R. W. Parish is a non-executive Director of Spital Square Limited in whom Danby Registrars Limited holds one share of £1.00 and £24,999 in 12.93% unsecured loan stock.

22. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise its investment portfolio (see note 9), cash balances, debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement, and bank borrowings used partly to finance the Group's operations.

The Group invests in securities to increase the asset value of the stockholders' units while attempting to increase their dividends and at the same time not asking them to put up any new money. The Group's policy is to deal in quoted and unquoted investments or other financial instruments, including derivatives.

As indicated in notes 9 and 11 the company trades in options, short positions and forward contracts on commodities.

The Group is financed mainly through retained profits, bank overdrafts and secured borrowings on transactions with brokers.

The Group has little exposure to credit and cash flow risk. Unlisted investments in the portfolio are subject to liquidity risk. The Directors take this risk into account before making such investments and when arriving at the valuation of these assets.

The principal risks the Group faces in its portfolio management activities are:

- market price risk i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movements;
- foreign currency risk; and
- interest rate risk.

The Group takes account of these risks when setting investment policy and making investment decisions. The Directors monitor economic and market data in order to minimise the Group's exposure to these risks.

Credit risk is the potential exposure of the Group to loss in the event of non-performance by a counterparty. The credit risk arising from the Group's normal commercial operations is controlled by the accounting staff of the Group within guidelines set by the Board. In addition, as a result of its use of financial and commodity instruments, including derivatives, the Group has credit exposures through its dealings in financial and specialised markets. The Group controls the related credit risk by entering into contracts only with highly credit-rated counterparties and the Group's monitoring procedures, and does not usually require collateral or other security.

Fair Values of Financial Assets and Financial Liabilities

The purpose of the following table is to summarise both the book and fair value of financial instruments held by the Group together with current borrowings.

The numerical disclosure below excludes short-term debtors and creditors. The position at 31 December 2004 is in accordance with the Group's policy for the role of financial instruments and risk and is consistent with the position during the year.

NOTES TO THE ACCOUNTS *continued*

22. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

	Book Value		Fair Value	
	2004 £	2003 £	**2004 £**	2003 £
Financial assets:				
Cash and bank balances	**173,608**	431,691	**173,608**	431,691
Listed investments	**37,251,093**	35,073,048	**72,017,408**	68,411,481
Unlisted investments	**2,482,116**	2,595,547	**5,364,493**	4,304,478
	£39,906,817	£38,100,286	**£77,555,509**	£73,147,650
Financial liabilities:				
Bank overdrafts and mortgage	**12,005,878**	10,819,020	**12,005,878**	10,819,020
Short positions on options	**128,481**	438,080	**108,131**	420,712
	£12,134,359	£11,257,100	**£12,114,009**	£11,239,732

Off-Balance Sheet Financial Investments

The Company has entered into forward contracts to purchase gold agreeing to pay the sterling equivalent of £483,545 (2003: £1,448,795). The market value of these contracts at 31 December 2004 is £456,274 (2003: £1,556,834).

The investment portfolio is reported at the lower of cost and market value. Fair value of the portfolio, based on market value and Directors' valuation for unlisted securities, is recorded above.

Market Price Risk

The Group's exposure to market price risk mainly comprises movements in the value of its investments. A list of the principal Listed and Unlisted Investments valued in excess of £500,000 and held at 31 December 2004, is given on page 33.

Foreign Currency Risk

The Group is exposed to foreign currency risk through its investment in securities listed on overseas stock markets and on short-term indebtedness with overseas brokers. The Group does not hedge against foreign currency movements, but takes account of the relative strengths and weaknesses of currencies in making investment decisions. Receipts in currencies other than Sterling are converted into Sterling, to the extent that they are not needed to meet settlement obligations in the relevant currency.

The Group's exposure to foreign currencies through its investments in overseas securities, at fair value converted to Sterling, is shown below:

	2004 £	2003 £
Australian dollar	**8,078,499**	5,599,690
Canadian dollar	**10,032,305**	10,602,243
Danish kroner	**–**	25,694
Euro	**1,356,268**	1,304,800
Hong Kong dollar	**149,338**	289,137
Indonesia rupiah	**35,146**	31,338
Japanese yen	**–**	17,462
Malaysian dollar	**509,318**	–
New Zealand dollar	**325,724**	187,834
South African rand	**3,017,730**	3,701,800
Swedish kroner	**430**	626
Swiss franc	**69,814**	64,043
Thai baht	**97,603**	61,469
US dollar	**5,839,345**	7,667,560
	£29,511,520	£29,553,696

Interest Rate Risk

The Group is exposed indirectly to interest rate risk through the effect of interest rate changes on the valuation of its investment portfolio. The majority of its financial assets are equity shares, which pay dividends, not interest. Interest is charged on bank overdrafts at 1% above the bank's Sterling base rate and at rates negotiated with the lenders.

NOTES TO THE ACCOUNTS *continued*

22. FINANCIAL INSTRUMENTS AND RISK PROFILE *continued*

The interest rate profile of the Group's financial assets and liabilities are:

	2004 Total £	**2004 Floating Rate £**	**2004 Fixed Rate £**	2003 Total £	2003 Floating Rate £	2003 Fixed Rate £
Financial assets:						
Australian dollar	**99,205**	**–**	**99,205**	84,337	_	84,337
Canadian dollar	**59,673**	**–**	**59,673**	59,673	–	59,673
South African rand	**64,115**	**–**	**64,115**	64,115	–	64,115
Sterling	**1,006,271**	**3,668**	**1,002,603**	131,276	7,922	123,354
US dollar	**124,904**	**–**	**124,904**	95,296	–	95,296
	£1,354,168	**£3,668**	**£1,350,500**	£434,697	£7,922	£426,775
Financial liabilities:						
Sterling	**11,858,006**	**11,858,006**	**–**	10,765,109	10,765,109	–
New Zealand dollar	**147,872**	**–**	**147,872**	53,911	–	53,911
	£12,005,878	**£11,858,006**	**£147,872**	£10,819,020	£10,765,109	£53,911

In addition to the financial assets listed above, the Group holds forward contracts in gold. Details of these contracts are shown in note 9.

Financial assets comprise non-equity shares and loan stocks. The weighted average interest rate on these financial assets is 5.21% (2003: 5.99%) and financial liabilities is 5.77% (2003: 5.01%). Financial liabilities all fall due within one year. The surplus balance on overdraft facilities at 31 December 2004 amounted to £94,927 (2003:excess balance £819,020).

23. POST BALANCE SHEET EVENT

As explained in the Report of the Directors on page 5, on 14 January 2005 Danby Registrars Limited, a fully owned subsidiary of the Company and the owner of Walcot Estate was sold on a debt free, cash free basis to Perceval Limited, a company wholly owned by C.R.W. Parish, the Chairman of the Company. The Disposal was implemented via a scheme of arrangement under Section 425 of the Companies Act 1985 (as amended) whereby stock units held by C.R.W. Parish in the Company were redesignated and cancelled by way of a reduction of capital in the Company in consideration for Danby Registrars Limited being transferred to Perceval Limited.

On 1 November 2004, 41 Cheval Place, including its furniture and fittings, were bought for cash by the Company from Danby Registrars Limited for an agreed valuation of £750,000. The cash proceeds received by Danby Registrars Limited from the Company for 41 Cheval Place was used mainly to settle creditors and other liabilities. The remaining cash was paid to the Company by way of a management charge leaving Danby Registrars Limited a cash balance on 14 January 2005 sufficient solely to discharge its outstanding liabilities.

As part of the scheme of arrangement the stock units in the Company held by Danby Registrars Limited were cancelled without a repayment of capital and the amount arising in the Company's balance sheet as a result of this cancellation was transferred to the Company's capital redemption reserve.

Danby Registrars Limited was valued by the independent Directors of the Company in their letter to Stockholders on 5 November 2004 at £3,225,000 and 837,662 stock units of the Company owned by C.R.W. Parish were redesignated and cancelled pursuant to the scheme of arrangement by reference to the Market Price of 385p.

This transaction was a related party transaction due to the fact that C.R.W. Parish is a substantial shareholder and Director of the Company and had a significant interest in Perceval Limited. It is also a related party transaction in respect of The Hon. Mrs. E. C. Parish, a likely protected tenant of Walcot (Danby Registrars Limited's principal asset) and a director of the Company.

For the year ended 31 December 2004 Danby Registrars Limited incurred a loss on ordinary activities before tax amounting to £85,763 excluding the exceptional income on the sale of 41 Cheval Place to El Oro and Exploration Company p.l.c. The disposal of this company will result in the elimination of these losses for the Group going forward.

NOTES TO THE ACCOUNTS *continued*

23. POST BALANCE SHEET EVENT *continued*

The following proforma statement of net assets of the Group has been prepared to provide information about the impact of the disposal of Danby Registrars Limited and has been prepared on the basis set out in the accompanying notes:

	Group Position at 31 Dec 04 (note 1) £	Danby Registrars Limited Adjustments Position at 31 Dec 04 (note 2) £	Changes to 14 Jan 05 (note 3) £	Other adjustments (note 4) £	Proforma Group Position at 14 Jan 05 (note 5) £
Fixed Assets					
Freehold property	439,615	(350,153)	–	–	89,462
Investment property	611,475	(350,000)	–	–	261,475
Fixtures, fittings and office equipment	263,707	(240,246)	–	–	23,461
	1,314,797	(940,399)	–	–	374,398
Current Assets					
Debtors due within one year	355,636	(244,793)	233,816	–	344,659
Debtors due over one year	29,517	(24,999)	–	–	4,518
Investments	39,733,209	(152,495)	–	152,495	39,733,209
Cash and bank balances	173,608	(1,320)	(3,680)	–	168,608
	40,291,970	(423,607)	230,136	152,495	40,250,994
Creditors: due within the year	15,358,040	(179,097)	134,659	–	15,313,602
Net current assets	24,933,930	(244,510)	95,477	152,495	24,937,392
Net assets	£26,248,727	£(1,184,909)	£95,477	£152,495	£25,311,790
Issued number of El Oro and Exploration Company p.l.c. Stock units	11,840,898			(992,197)	10,848,701
Net assets per El Oro and Exploration Company p.l.c. Stock unit	222p				233p

Notes:

The proforma statement of net assets has been prepared on the following basis:

1. The net assets of the Group at 31 December 2004 have been extracted from the audited accounts for that date.
2. The net assets of Danby Registrars Limited at 31 December 2004 have been extracted from the audited accounts for that date.
3. Changes in the net assets of Danby Registrars Limited, between 1 January 2005 and 14 January 2005. These changes are the receipt of amounts due from El Oro and Exploration Company p.l.c., the repayment of the bank overdraft and the payment of a management fee of £95,477 to El Oro and Exploration Company p.l.c.. These transactions produced a cash and bank balance amounting to £5,000 in Danby Registrars Limited.
4. The cancellation of the stock units held by Danby Registrars Limited, for nil consideration, and the stock units held by C.R.W. Parish, as redesignated.
5. Amended net assets of the Group at 14 January 2005, reflecting solely the above adjustments.
6. The costs to date of the disposal of Danby Registrars Limited, all of which have been charged to the profit and loss account in the year ended 31 December 2004, amounted to £628,962.
7. On 14 January 2005 the Authorised stock units of 5p each reduced by 992,197 to 10,950,730.
8. The operating activity of the Group for the period 1 January 2005 to 14 January 2005 has not been taken into account in the proforma statement.

INDEPENDENT AUDITORS REPORT

to the members of EL ORO AND EXPLORATION COMPANY p.l.c.

We have audited the financial statements which comprise the consolidated profit and loss account, the Group and Company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 who 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 whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the Directors' Remuneration Report, the progress table of El Oro and Exploration Company p.l.c. on page 12, the classification of listed and unlisted investments on page 33 and the Chairman's statement.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's or the Company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 and the auditable part of the directors' remuneration report 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.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs state of the Group and the Company at 31 December 2004 and of its profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
22 April 2005

CLASSIFICATION OF LISTED AND UNLISTED INVESTMENTS

based upon market values and Directors' values at 31 December 2004

Listed and Unlisted Investments of the Group with market valuation and Directors' valuation at 31 December 2004 in excess of £500,000.

		Total
Alumina		583,095
Anglo American		765,518
Archipelago Resources		502,975
Bertam Holdings		1,479,273
BP		532,088
Daejan Holdings		1,351,913
Davis Services		1,160,435
Dee Valley Group		744,328
East Surrey Holdings		922,961
Fuller, Smith & Turner 'A'		960,687
Glenmorangie 'A'	became Moët Hennessy Loan Stock on 14 January 2005	1,062,500
Glenmorangie 'B'		608,813
Gold Fields		688,060
Hardys & Hansons		2,929,664
James Halstead		1,342,575
Lionore Mining		658,796
Meridian Gold		1,353,249
Mountview Estates		1,858,903
Peel Holdings		2,393,200
Remgro		606,315
Royal Dutch Petroleum		809,522
Shell Transport & Trading		798,525
Sunshine Gas		593,483
Troy Resources "A"		3,164,760
Troy Resources - Part paid		599,158
Uruguay Minerals		3,491,326
WMC Resources		592,715
Young & Co Brewery 'A'		2,673,663
Young & Co Brewery		940,275
		£36,168,775

NOTICE OF ANNUAL GENERAL MEETING
(Registered in England no. 80408)

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND FIRST ANNUAL GENERAL MEETING OF THE COMPANY will be held at 41 Cheval Place, London, SW7 1EW, on 14 June 2005, at 12 noon for the following purposes:

1. To receive the Directors' Report and financial statements for the year ended 31 December 2004.

2. To re-elect E. W. Houston who retires by rotation as a Director of the Company.

3. To re-elect R. E. Wade who retires by rotation as a Director of the Company.

4. To approve the Directors' Remuneration Reports.

5. To declare a first and final dividend in respect of the financial year of the Company ended 31 December 2004 of 11.5 pence per ordinary Stock unit, such dividend to be payable on 26 October 2005 to those stockholders registered in the register of members of the Company on the 17 June 2005.

6. To authorise the Company to make market purchases (within the meaning of Section 163(3) of the Act) of its Stock units upon or subject to the following conditions:
   a) the maximum number of Stock units which may be purchased is 1,084,870;
   b) the maximum price at which Stock units may be purchased shall be 5% above the average of the middle market quotations for the Stock units as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase and the minimum price shall be 5p, being the nominal value of the Stock units, in both cases exclusive of expenses; and
   c) the authority to purchase conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry enter into a contract of purchase under which such may be completed or executed wholly or partly after the expiration of this authority.

7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration

The Board recommends stockholders to vote in favour of all the resolutions above.

Registered Office:
41 Cheval Place,
London, SW7 1EW
22 April 2005

By Order of the Board,
C. E. J. Burman, FCA
Secretary.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

2. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person The instrument appointing a proxy should be deposited with the Company's Registrars not less than 48 hours before the start of the meeting.

3. Only those members registered in the register of members of the Company as at 6.00 p.m. on 10 June 2005 will be entitled to attend or vote at the meeting in respect of the number of ordinary Stock units of 5 pence registered in their respective names at that time. Changes to entries on the register after 6.00 p.m. on 10 June 2005 will be disregarded in determining the rights of any person to attend or vote at the meeting.

4. There are no service contracts between the Company and any of the executive directors.

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