# EL ORO LTD

## Annual Report
## Audited Financial Statements

for the year ended 30 June 2014

Group founded 1 November 1886

El Oro Ltd, (“the Company”) is the Group holding company for the following subsidiary companies:

Active subsidiary companies:
• El Oro and Exploration Company Limited; and
• Investigations and Management Limited.

Dormant subsidiary companies:
• El Oro Mining and Exploration Company Limited;
• Group Traders Limited; and
• General Explorations Limited.

The Company is registered in Guernsey and each subsidiary company is registered in England and Wales. All companies are collectively referred to as “the Group” throughout this document.

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## DIRECTORS' BIOGRAPHIES

### C. Robin Woodbine Parish

Robin Woodbine Parish has been a director of companies in the El Oro Group since 1980. He has a BA Hons and an MA from Oxford University. Mr Parish has been involved in Investment Management since 1971 and having monitored Troy Resources Limited for more than ten years, was appointed as a non-executive director by that company in November 2009. He is also a director of several private companies.

### J. Anthony Wild

Anthony Wild is a chartered accountant with many years' experience in property and investment matters. He is also a non-executive director of James Halstead plc and a director of several private companies. He has been a non-executive director of companies in the El Oro Group since 2001.

### Robert E. Wade

Robert Wade, who is resident in the United States, graduated from NYU School of Law in 1971 and was a sole practitioner in Belvidere, New Jersey until 2008. He also has a BSEC from the Wharton School University of Pennsylvania. He has been a non-executive director of companies in the El Oro Group since 2001. He is also a chairman and director of Franklin Mutual Series Funds Inc. and a director of Templeton Funds Inc.

### Rupert A.R. Evans

Rupert Evans practised at the Chancery Bar in London for 14 years before moving to Guernsey in 1976 where he practised as a funds and trust lawyer. In 2005 he was appointed by the Department of Commerce and Employment of the States of Guernsey as Chairman of the Trust Law Working Party to review the existing legislation in Guernsey relating to trusts. He was a partner of Ozannes, a leading firm of Channel Islands lawyers from 1982 to 2003 and is currently a consultant to the firm (now Mourant Ozannes). He has been a non-executive director of El Oro Ltd since 2009. He is also a director of a number of investment companies, some of which are listed.

### Subbarayan B. Kumaramangalam

Subbarayan B. Kumaramangalam currently runs a portfolio of private investments and has done so for the past 15 years. He has a BSC in Physics from St Xavier's, Bombay and a Diploma in Agriculture from Cirencester College in the UK. He is also a member of the Royal Society of Asian affairs. As an Indian resident investor, he provides insights into this major market as well as the region. He has been a non-executive director of El Oro Ltd since 2009.

## GROUP OPERATIONS

### Investment objective
The main aim of the Group since 1938 has been to increase the net asset value of shares in issue, whilst increasing the annual dividend. The Group's investment objective is to realise value from a portfolio of securities, providing a growing annual dividend payment to shareholders.

### Investment outlook
The Chairman's statement reviews the highs and lows of the year in review and the outlook for the Group.

### Financial highlights

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| Net asset value per share | **100.9 pence** | 92.4 pence |
| Dividends per Share paid to external Shareholders during the year ended | **3.6 pence** | 3.5 pence |
| Total dividends paid to external Shareholders during the year ended | **£2,311,631** | £2,250,407 |

The Group's net asset value per Share ("NAV") showed an increase over the year of 9.2% while the FTSE All Share Index was up by 9.4% and the stock price down by 14.1%. These figures are shown over 3, 4 and 5 years in the following table, demonstrating performance against our benchmark over the longer term.

| | FTSE All Share | | Share price | | NAV | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Financial year to 30 June | 9.4% | 13.8% | -14.1% | -19.8% | 9.2% | -21.8% |
| 3 years | 41.5% | 29.3% | 3.1% | 20.1% | -7.3% | -15.1% |
| 4 years | 65.7% | 51.5% | 16.8% | 36.0% | 26.0% | 15.4% |
| 5 years | 26.1% | 15.2% | -21.9% | -9.1% | -12.6% | -19.9% |

This Annual Report contains the consolidated financial statements of El Oro Ltd, ("the Company"), which operates as a closed-ended investment company on the Channel Islands Stock Exchange ("CISX"). The Company is incorporated and administered in Guernsey.

### Purchase and cancellation of own shares
The Company is authorised to purchase Shares under the Articles subject to Shareholder authorisation. The Board is seeking authorisation from the Shareholders at the AGM to purchase up to 10.0% of the Company's Shares in the market for the purpose of managing any discount to net asset value, should the Shares trade at a sufficient discount. The Board advises that there will be occasions where the Company is precluded from making such purchases because it possesses unpublished price sensitive information. Any such purchase will be made at the prevailing market price. At the date of this report, the number of Shares in issue is 64,457,305 (2013: 64,657,340).

### Authority for market acquisitions
For the avoidance of doubt and to ensure compliance with the provisions of The Companies (Guernsey) Law, 2008, the Company's authority for market acquisitions as set forth in the Company's Articles of Incorporation should be restated in an ordinary resolution. Accordingly, the Board recommends that resolution number 4 set forth in the Notice of the Annual General Meeting should be passed.

### Annual General Meeting
The Annual General Meeting will be held at 12 noon on 20 November 2014 at 41 Cheval Place, London SW7 1EW.
This Annual Report can be downloaded in electronic format from www.eloro.com.

## CHAIRMAN'S STATEMENT

The El Oro Group's profit before tax for the year-ended 30 June 2014 was £8,455,612 (loss before tax for the year-ended 30 June 2013 was £13,688,199). The Group's net assets at 30 June 2014 were £65,017,817 or 100.9 pence per share (30 June 2013 were £59,720,657 or 92.4 pence per share).

A final dividend of 3.6 pence per share for the year-ended 30 June 2013 was paid on 25 November 2013 to Members registered on the books of the Company at the close of business on 1 November 2013.

The Board has resolved to pay a final dividend of 3.7 pence for the year-ended 30 June 2014 on 24 November 2014 to Members registered on the books of the Company at the close of business on 31 October 2014.

The sublime summer that has blazed from May on into early August has for a while banished the memory of February's floods, and in similar vein markets have smiled benignly over the past year, with even Gold showing a modest recovery from its levels below $1200.

The mining sector has slowly dug itself out of the slough of despond, bolstered intermittently by opportunistic takeovers: hence Osisko's purchase by a combination of Agnico-Eagle and Yamana, and the current offer for Papillon by B2 Gold. The latter started life in our portfolio as Colonial Resources at around 12c, and may realize in the region of $1.80 if the deal is completed. That to some extent compensates for many other far less propitious investments. Troy, having made a placing at $1.26 in February was recovering well until early July, when a downgrade of its new resource at Karouni in Guyana caused a severe sell-off. Paul Benson's assured tenure as CEO has recently come to a close after a demanding 7–year stint, and we believe his successor Mr. Martin Purvis will oversee a resurgence of its earlier success. The latest project in Guyana is on track for production in early 2015, and we very much hope will coincide with an upturn in the Gold price. That is of course one of the great imponderables, amongst the many facing the world: at present its decline in the face of a stronger dollar has resumed, for the moment at least.

Following on from our year end Bacanora which owns a deposit of Borax and Lithium in Mexico, has gained a listing on AIM to add to that on the TSX. The excitement attendant on the success of Tesla and other battery-powered cars has driven the demand for lithium, giving a jump-start to the share-price of what was originally intended to be a boring but steady producer of an industrial raw material. We hold exposure to lithium elsewhere in the portfolio and if demand is sustained and expanded, the sufferings of our platinum shares might be somewhat assuaged, albeit by a rival for the non-carbon energy market. Our thanks are owed to the foresight and perseverance of Mr. Colin Orr-Ewing in developing this project.

Amongst our Oil holdings, Amerisur continues to impress and excel, with growing production in Colombia soon to be expanded by the addition of a pipe-line to Ecuador. Hurricane Energy finally achieved its flotation, delayed from the autumn, and after early price weakness, has confounded the nay-sayers of its innovative horizontal drilling, by delineating a substantial reserve of several hundred million barrels. Production of up to 20,000 barrels a day has recently been forecast and we await further progress with renewed enthusiasm.

Amongst industrials, Goodwin continues to fire-up formidable results, and the share price has responded despite retreating a little in recent weeks. James Halstead makes more restrained progress than hitherto, whilst the brewers, led by Young and Co, and backed up by the powerful pair of defenders, Fuller, Smith and Turner, alongside Shepherd Neame, have flourished in the sunshine and the improving economic climate of the South East.

Likewise in the property world, McKay raised money at an advantageous price in February and along with Derwent-London is trying to keep up with the soaring price of Mountview Estates; Conygar's shrewd deals and growing potential remain for the time being beneath the radar.

## CHAIRMAN'S STATEMENT

The Palm Oil price continues to slip, but with increased production, MP Evans and Kuala Lumpur Kepong, which has taken a controlling stake in Equatorial Palm Oil, as well as REA Holdings, continue to make modest progress upwards, we have added a further position in SGA Kaltim in recent weeks. With growing prosperity in the Far East, and changes in cooking practices, we see the possibility of further growth in these areas, although increasing production and a bumper Soyabean harvest is constraining prices at present. We are also encouraged by the growth of Utilitywise, a provider of energy pricing solutions.

In the doghouse currently is Ceravision, a developer of remote-controlled lighting systems that reduce power consumption; whilst its technology is applauded, it has shown itself slow off the mark in selling effectively and has now compounded that by dispensing with the services of two respected members of its team. Hopefully, its technological edge will eventually produce the deferred value.

This draws to mind the Prime Minister's sacking of Messrs. Gove and Patterson, amongst the most controversial but knowledgeable and effective members of his Cabinet. We are not admirers of sacking the capable and honest for reasons of expediency: the jury on the prospects for the Conservative party remains out, although some wise heads are now predicting a victory next May as a result of the economic recovery. We remain underwhelmed by the coalition and its leaders who have presided over the most disastrous reduction in our Armed Forces, leaving us dangerously vulnerable at a time of growing threats to world stability, with the increasing internal and external threats.

It is disturbing to ponder that the most recent immigration figures show the intake from Europe alone around the 400,000 mark, against an intended limit 'in the low 10,000s'. Walking along Brompton Road, one soon becomes aware of the diaspora from the Middle East, which dominates that part of London, intermingled with the ubiquitous and probably Romanian beggars who can be seen decamping of a morning from Hyde Park accompanied by the Immigration Enforcement van, prior to their day's work on the pavements.

Even more disturbing is it to hear of the proposed sale of the Knightsbridge Barracks, probably to another Middle Eastern consortium, and quite likely one which is complicit in sending aid to ISIL, whom our Armed Forces might in due course be confronting: perhaps it is no longer necessary to provide such central accommodation for an Army that has been castrated by a reduction of 20,000 and securing in their place a few hundred reservists, instead of the thousands required.

We have nursed a viper in the bosom of British society, and as the denizens of militant Islam abandon their adopted motherland, we struggle to find anyone in authority with the courage to confront the calamity that faces Western civilization, instead seeing everywhere coalescence in appeasing those hell-bent on our destruction. Barton Biggs's brilliant book, 'Wealth, War and Wisdom' is a powerful reminder of Sir Winston Churchill's perspicacity and perseverance in arousing and subsequently leading the nation against an emerging and viciously ideological threat not dissimilar to that posed by militant Islam today.

The sorry sight of a prominent and respected Christian being persecuted for an alleged offence of some 30 years past, is made doubly disturbing when undertaken by a police force that has failed on all counts to protect the most vulnerable children in our society from abuse predominantly by members of the Pakistani community.

Throughout the World and in particular, the Middle East and North Africa, Christianity is under threat as never before, largely because ineptly managed and inanely conceived adventures, heedless of the consequences of their actions, have broken the delicate structure of checks and balances that have evolved over centuries, even if often retained by brute force. The flood of refugees thronging the camps of Jordan and Kurdistan amongst others adds to the pressure on our own borders, where migrants from North Africa or the East are prepared to face the sea or suffocation to reach the haven of the British Social Security system. We refuse the individually able from our old Commonwealth, yet permit this flood when emanating from fellow EU members.

## CHAIRMAN'S STATEMENT

The EU shows itself increasingly bankrupt and bereft of ideas, other than imposing yet more absurd restrictions on technological or other development. The latest inanity is the exclusion of Vacuum cleaners in excess of 1600 watts in the EU's glorious defiance of climate change, despite one of its member states being home to one of the most innovative designers of the past 30 years.

Where Rust and the changes of fashion since production commenced 70 years ago have failed, the Brusseaucrats have now succeeded in decreeing the demise of the Land Rover Defender, due to its failure to crumple in a collision. Our 50 year-old one is still going strong, thankfully made to the march of a different drum when durability was more highly-valued than destruction.

Those with older homes will be only too familiar with the restrictions imposed on converting or adapting their houses for holiday or other letting and the ever proliferating tangle of regulations they encounter, a problem persistent in Greece and Italy, not just from English jobsworths: all examples of the ever-tightening tentacles of the European super-state, as Mr. Hannan has described so eloquently in the pages of the Daily Mail.

Complying with FATCA and AIFMD regulations imposed by the United States and European Union respectively, has created yet more mayhem and expense across the financial sector. After centuries of inclusion of Names from Australia, New Zealand, the United States and elsewhere, no names of Lloyd's of London who are not resident for tax purposes within the UK will be permitted to continue underwriting as Unlimited Names after 2014. One shudders to think how many other perfectly viable and long-standing businesses will be affected by these intrusive and pernicious regulations. Already we hear of Commercial shoots where invitations are being refused, because of the obligation to declare the value of the gift on offer. It is certainly not in the British tradition to ask the cost of a gift before it is accepted, but what do we care about tradition, or even the old adage of 'Caveat Emptor' as a succession of mega-payouts are dished out to investors squealing from bad advice, or more likely at the whim of Supervisory bodies such as the FSA and FCA imposing arbitrary fines? Sadly the compliance and Health and Safety sectors remain one of the few growth sectors in the jobs' market, rather than new businesses building for growth. Able, hard-working graduates with first class degrees are left grateful for unpaid work, whilst they seek full-time employment.

The creators, supporters and imposers of the Euro should be hanging their heads in shame and taking a long respite from public service, after the disastrous effect this currency has wreaked on the Southern European states, where Banco Espirito Santo is only the latest example of failures resulting from bad debts following the 2008 crash.

The calamity that confronts France is not wholly an EU phenomenon, but partly the result of confiscatory levels of taxation, aligned with a Marxist economic agenda. It is to be hoped our own HMRC will step back from acquiring further powers of expropriation from private bank accounts, along with its pursuit of retrospective review of taxation schemes. A compliant and clear system based upon the Rule of Law is essential if Britain is to thrive and its citizens encouraged to invest in and grow their businesses. Buffeting them with ever-rising levels of taxation will, as Dr. Laffer has consistently shown, and as the latest CGT figures reveal, only result in a smaller slice going to the Exchequer.

Overweening powers are also being demonstrated by the Police, in the recent invitation to the BBC to attend the search of an exemplary citizen's home; the assertion by Lord Neuberger that the overruling of Parliament by the Judiciary is to be applauded is yet another nail in the coffin of a truly democratic State, where the Judiciary implements the will of the people expressed through Parliament, backed up by an independent police force conducting itself with the consent of the People.

The ignoring of local opposition to Wind Turbines and large housing-schemes is yet another example of the infringement of real democracy, and the overriding obsession with 'renewables' at any cost. With the removal of Mr. Patterson, one voice of reason has been eliminated and Mr. Davey can pontificate on his grotesquely expensive and unviable energy policy to his heart's content. The British people will suffer through their pay

## CHAIRMAN'S STATEMENT

packets, financing schemes subsidized to an extent beyond the dreams of avarice, and much of it sailing serenely out of this country into the coffers of foreign enterprises. This is no genuine solution to the impending power shortage other than subsidizing the expensive stand-by supplies which was once far more efficiently provided by our solid fuel or Nuclear Power stations, good for many more years if they had not been outlawed by the malign combination of the EU and the Blair/Cameroon compliance with the Carbon reduction targets emanating from the United Nations. The safety margin of Power supplies as winter approaches is now desperately thin.

None of this bodes well for Britain, nor does the throttling of Bank lending, where even the Funding for Lending scheme has seen its amount lent reduced. Viable and sound businesses are told their accounts are to be closed, and overseas the United States sees fit to throw fines at all and sundry for non-compliance with laws peculiar to their own policies. Quite how this accumulation of fines will benefit World Recovery is impossible to discern. No doubt there will be some expensive refurbishment occurring in Washington's government regulatory offices in the coming months.

Hanging over and above all these parochial issues are the two great unknowns: The stability and solvency of the Chinese Government and its economy, crucial to the well-being of Australia and much of Africa; and the future of the Middle East, where a violent and hate-filled group has succeeded in overthrowing $45 billion worth of American spending on the Iraqi defence force. Compounding this travesty, it would appear that the doyens of the British racing fraternity are complicit in financing this force, whose tentacles stretch from Iraq, across Syria, via Gaza, to Libya and even Cardiff.

Only if the President of the United States decides to forego Putting practice and put his heart and soul into saving the final two years of his Presidency, alongside a re-awakening within the West of belief in its own Christian and Democratic traditions, can this tide be turned. The EU continues to bluster over Ukraine, including supplying arms to a government that replaced its democratically-elected predecessor: but which is a mere sideshow in the battle for supremacy between the forces of darkness and those of freedom. The advance of ideas in Science, Technology, Medicine, Literature and elsewhere hangs on the outcome.

Such considerations underline the importance of a place for Gold in our portfolio: wither it travels, time will tell, but looking ahead the portfolio has been strengthened across a somewhat reduced number of positions that have stood and we believe will continue to stand the test of time.

Hopefully the Scots continue to see the sense of our longstanding Union on the 18th and in conjunction with the remainder of the United Kingdom will prepare to depart from the disastrous union with the EU rather than their Southern neighbours. The outcome at the time of writing remains perilously close, and many of our overseas friends find the prospect of the dissolution of the United Kingdom after 300 mostly triumphant and gloriously profitable years, beyond comprehension. Those responsible for allowing this gaggle of opera-singing ideologues, Marxists and England-hating fashion designers to whip up such animosity towards their fellow countryman, with every prospect of winning either the vote or a massive pay-off, must surely be held to account. As Bob Dylan sang "I didn't know you were saying 'Goodbye' for good, but sooner or later one of us must know, you just did what you're supposed to do'; or indeed, 'Goodbye's too good a word, gal, so I'll just say fare thee well … but don't think twice, it's all right."

Certainly not alright, and a 'Yes' vote will undoubtedly be disastrous, for all but the internal political structure of England. Only the departure of the Labour seats from Westminster, can correct Mr. Cameron's chronic failure to secure the overdue Boundary changes that could have precluded the need for a coalition in the future: a Miliband Premiership would be the death-knell for Britain's Economic revival and consign it to the by-ways of the World economy, just as Greece became in Rome's shadow.

Whatever may or may not happen, meals will continue to be cooked in Palm oil, Nigerians will use Imperial Leather soap, Londoners will need homes and offices and keep drinking beer: all represented in our diverse and enduring portfolio.

## CHAIRMAN'S STATEMENT

The implosion of Manchester United following the departure of Sir Alec Ferguson underlines the importance of continuing investment and strengthening of the enterprise in hand, rather than relying on the charisma and success of the individual. Apple at least for now appears to have pulled off this trick, and established itself as the largest company in the world, despite the death of its charismatic founder, Steve Jobs. It is to be hoped Louis van Gaal can bring some of the Jobs' revivalist magic into the current disembodied group of misfits: his latest signings certainly provide every prospect of renewed excitement and success.

At least our Oarsmen maintain their prowess on the water, safe from the glare of intrusive press publicity, and have repeated their fantastic conquest of Germany in the Final of the Eights, not to mention the Fours, at the Amsterdam World Championships: would that our politicians showed such prowess and determination.

It is with great sadness that I advise shareholders of the death, on April 28th, of my mother, a director of the original El Oro and Exploration Co. plc and the Exploration Company plc since 1968.

The Hon. Mrs. Elizabeth Parish brought a huge depth of wisdom, sanity and sense to her role supporting my father through the years following his purchase of the 2 companies from Rothschild's in 1938; she accompanied him on numerous visits to South Africa, Canada and Australia and many of the earliest mining investments in those countries, some of which subsequently provided the seed corn for investments in the UK Brewing, property and other sectors.

The Korean War, Suez and our betrayal by the United States, Vietnam, the collapse of the Stock Market in 1973, and again in 1987, along with the fall of the Berlin Wall, not to mention the Gulf Wars, were all surmounted successfully during this time.

In her many years as a Director, amongst the first female directors of a public company in the United Kingdom, she never wavered in her discernment, dispensing shrewd advice in a consistent and discrete manner. My sisters and I will remain enormously grateful to her for our nurturing over the past 66 years, and I especially in her support to me at El Oro, particularly during its seminal changes in 2003 and 2004.

My mother fulfilled admirably Chapter V 1, v 8 of the prophet Micah: "He hath showed thee O man what is good; and what doth the Lord require of thee, but to do justly, and to love mercy, and to walk humbly with thy God?"

As the daughter of Lord Trent, and scion of Sir Jesse Boot, she would perhaps find it ironic that in the months following her death, Boots bought back to the United Kingdom by her father from the Ligget group in 1933, was sold to Walgreen, following its buyout by Mr. Stefano Pessina and KKR. Sadly the intimated 'inversion' of Walgreen to the United Kingdom was stymied by antagonism from the President, and it may be too much to hope to see Boots repatriated to these shores in the foreseeable future.

We are also saddened to learn of the passing of another faithful shareholder and House man, Mr. Matthew Green, a regular attendee at our AGMs, and judicious in dispensing discerning advice or critical comment, as required.

We also say farewell and thank you, whilst still happily in the land of the living, to Clive Callow, long the pre-eminent oil analyst in the City and a fount of wisdom in that sometimes murky world, along with John Coulson, both after faithful service in the City; the dusk of their careers perhaps unnecessarily accelerated by regulations where honour and integrity have been supplanted by the ticked box.

It remains to offer my thanks to my fellow Directors, advisers and auditors as we continue our recovery from the mining slump; also my wife, Lucinda for her ongoing support and the team at Cheval Place, now joined by Rebecca Brown as PA, adjusting to the vagaries, idiosyncrasies and delights of life in Arabian Knightsbridge.

Robin Woodbine Parish
18th September 2014

## INVESTMENTS WITH A FAIR VALUE EXPOSURE GREATER THAN £500,000 based upon fair values at 30 June 2014

| | Investment | Local Currency | Fair Value GBP | Fair Value Cumulative GBP | % of financial assets |
|---|---|---|---|---|---|
| 1 | Young & Co. | GBP | 11,039,681 | 11,039,681 | |
| 2 | Amerisur Resources | GBP | 4,940,784 | 15,980,465 | |
| 3 | James Halstead | GBP | 3,207,400 | 19,187,865 | |
| 4 | M P Evans Group | GBP | 2,837,987 | 22,025,852 | |
| 5 | Troy Resources | AUD | 2,599,603 | 24,625,455 | |
| 6 | Hurricane Energy | GBP | 2,346,000 | 26,971,455 | |
| 7 | Fuller, Smith & Turner | GBP | 2,234,754 | 29,206,209 | |
| 8 | Dee Valley Group | GBP | 2,049,907 | 31,256,116 | |
| 9 | Mountview Estates | GBP | 2,044,735 | 33,300,851 | |
| 10 | Kuala Lumpur Kepong | MYR | 1,907,400 | 35,208,251 | **38.3%** |
| 11 | Shepherd Neame | GBP | 1,795,360 | 37,003,611 | |
| 12 | Goodwin | GBP | 1,737,000 | 38,740,611 | |
| 13 | Blackrock Funds | GBP | 1,563,640 | 40,304,251 | |
| 14 | Archipelago Metals | USD | 1,188,558 | 41,492,809 | |
| 15 | REA Holdings | GBP | 1,090,643 | 42,583,452 | |
| 16 | Bacanora Minerals | CAD | 1,055,714 | 43,639,166 | |
| 17 | Hill & Smith Holdings | GBP | 881,420 | 44,520,586 | |
| 18 | Shanta Gold | USD | 872,848 | 45,393,434 | |
| 19 | Conygar Investment | GBP | 840,000 | 46,233,434 | |
| 20 | Vietnam Funds | USD | 833,934 | 47,067,368 | **51.2%** |
| 21 | McKay Securities | GBP | 819,550 | 47,886,918 | |
| 22 | Berendsen | GBP | 782,800 | 48,669,718 | |
| 23 | Intelligent Energy | GBP | 745,020 | 49,414,738 | |
| 24 | PZ Cussons | GBP | 725,970 | 50,140,708 | |
| 25 | Ceravision | GBP | 692,573 | 50,833,281 | |
| 26 | Papillon Resources | AUD | 666,626 | 51,499,907 | |
| 27 | Legal & General Group | GBP | 663,414 | 52,163,321 | |
| 28 | Herald Investment Funds | GBP | 640,440 | 52,803,761 | |
| 29 | Ocean Wilsons Holdings | GBP | 602,500 | 53,406,261 | |
| 30 | Overstone Funds | EUR | 592,661 | 53,998,922 | 58.8% |
| 31 | McMullen & Sons | GBP | 568,750 | 54,567,672 | |
| 32 | Jersey Electricity | GBP | 564,160 | 55,131,832 | |
| 33 | Scoban | GBP | 562,680 | 55,694,512 | |
| 34 | Wadworth & Co. | GBP | 557,803 | 56,252,315 | |
| 35 | Lindsell Train Funds | GBP | 521,451 | 56,773,766 | 61.8% |
| | | | Investments over £500,000 | 56,773,766 | 61.8% |
| | | | Other investments | 35,109,641 | 38.2% |
| | | | **Total investments** | **91,883,407** | **100.0%** |

## DIRECTORS' REPORT

The Directors present the Annual Report and the Group's Consolidated Financial Statements for the year ended 30 June 2014.

The principal activity of the Group is dealing in investments world-wide, with investments in UK companies forming the larger portion of the portfolio. It is the Directors' intention to continue managing the Group's affairs in accordance with its stated investment objectives, the progress of this endeavour is shown in the table of historical financial data on pages 12 and 13. The Chairman's statement, which begins on page 2 provides a comprehensive review of the Group's activities. Investments where the Group's exposure has a fair value greater than £500,000 on 30 June 2014 are listed on page 7. There was no change in the Group's activities during the current year. Operationally the management of the consolidated portfolio is co-ordinated as two separate portfolios; the Growth and Income portfolio managed in the UK (trading company) and the Growth portfolio managed in Guernsey (holding company).

The Company is a Registered closed-ended investment scheme registered pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended and The Registered Collective Investment Scheme Rules, 2008 issued by the Guernsey Financial Services Commission (the "Commission"). The Commission, in granting registration, has not reviewed this document but has relied upon specific warranties provided by Dexion Capital (Guernsey) Limited, the Company's designated manager. The Commission takes no responsibility for the financial soundness of the Scheme or for the correctness of any of the statements made or opinions expressed with regard to it.

**Results and dividend**
The Group's profit for the financial year was £7,767,078 (2013 loss: £14,354,970).

For the year ended 30 June 2014, a final dividend of 3.7 pence per share is proposed for payment on 24 November 2014 to Shareholders registered in the books of the Company at the close of business on 31 October 2014 (2013: 3.6 pence per share).

**Principal Risks and Risk Mitigation**
The Group's assets consist mainly of listed securities and its principal risks are therefore market and currency related. A detailed explanation of these risks and how they are managed is contained in note 22 of the financial Statements.

**Directorate**
The Directors who served during the year and up to the date of signing the financial statements are noted on page 37, which forms part of this Directors' report.

**Directors' interests in Shares**
The interests of the Directors who held office during the year in the Company's Shares were as follows:

| | El Oro Ltd | | | |
|---|---|---|---|---|
| | **30 June 2014 beneficial No. of Shares** | **30 June 2014 non-beneficial No. of Shares** | 30 June 2013 beneficial No. of Shares | 30 June 2013 non-beneficial No. of Shares |
| CRW Parish | 6,630,180 | 10,659,011 | 6,379,246 | 10,658,211 |
| SB Kumaramangalam | 6,393,368 | 3,314,407 | 6,393,368 | 3,314,407 |
| RE Wade | 513,150 | – | 505,150 | – |
| JA Wild | 149,998 | – | 149,998 | – |

CRW Parish is a beneficiary and trustee of several family trusts, which results in a degree of duplication on his interests in the non-beneficial Shares of the Company. The substantial Shareholders interests are also detailed below. The only changes to the Directors interests occurred before the date of this report or from the year ended 30 June 2014 were that CRW Parish bought an additional 254,595 shares beneficially. Of the Shares in issue 34,137,634 or 53.0% (2013: 33,886,700 or 52.4%) are not in public hands at the year ended 30 June 2014.

## DIRECTORS' REPORT *(continued)*

No Director had a beneficial interest other than those mentioned in Note 21, in any contract that the Company or any of the subsidiary companies were party to during the year. The Group maintains insurance against certain liabilities that could arise from a negligent act or a breach of duty by its Directors and Officers in the discharge of their duties. Details of other risks are reviewed in Note 22.

**Non-executive Directors**
In the opinion of the Board, all non-executive Directors (who are noted below) are independent.

**Substantial interests**
So far as the Directors are aware, at no time during the year, nor up to the date of this Directors' report, has any Shareholder, 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 those Shareholders disclosed below:

| Shareholders | % | Shares | Beneficial | Non-beneficial |
|---|---|---|---|---|
| Mrs SW Kumaramangalam | 15.06 | 9,707,775 | 6,393,368 | 3,314,407 |
| Mr WB & Mrs P Fraser | 18.51 | 11,932,545 | 45,090 | 11,887,455 |
| JM Finn Nominees Limited | 18.07 | 11,646,410 | – | 11,646,410 |
| Mr G & Mrs CW Zegos | 11.88 | 7,656,042 | 4,272,190 | 3,383,852 |

Mrs SW Kumaramangalam, Mr WB & Mrs P Fraser, JM Finn Nominees Limited and Mr G & Mrs CW Zegos are trustees of several family trusts, which results in a degree of duplication of their interests in the non-beneficial interests in the Shares of the Company.

**Remuneration Committee**
The Remuneration Committee of the Company is comprised of three independent non-executive Directors: Messrs. SB Kumaramangalam, RE Wade and JA Wild (Chairman). The Remuneration Committee of the Company was formed by a Board resolution on 17 September 2009.

The Remuneration Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Group's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the executive and non-executive Directors, including performance-related bonus schemes, pension rights and compensation payments.

The following emoluments were paid to Directors of the Group who served during the year ended 30 June 2014:

| | Fees £ | Salary & other £ | Performance Bonus £ | Benefits in kind £ | Total £ |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| CRW Parish (Chairman)* | – | 264,825 | 39,025 | 614 | 304,464 |
| **Non-executive** | | | | | |
| SB Kumaramangalam | 9,600 | – | – | – | 9,600 |
| RAR Evans | 18,000 | – | – | – | 18,000 |
| RE Wade* | 27,478 | – | – | – | 27,478 |
| JA Wild* | 33,944 | – | – | – | 33,944 |
| Total | 89,022 | 264,825 | 39,025 | 614 | 393,486 |

* The Directors remuneration includes fees received from the Company and the UK subsidiary.

## DIRECTORS' REPORT *(continued)*

**Directors' emoluments**

The following emoluments were paid to Directors of the Group who served during the year ended 30 June 2013:

| | Fees £ | Salary & other £ | Performance Bonus £ | Benefits in kind £ | Pension contribution £ | Total £ |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| CRW Parish (Chairman)* | – | 258,825 | 35,000 | 571 | – | 294,396 |
| **Non-executive** | | | | | | |
| SB Kumaramangalam | 9,600 | – | – | – | – | 9,600 |
| RAR Evans | 18,000 | – | – | – | – | 18,000 |
| RE Wade* | 27,478 | – | – | – | – | 27,478 |
| JA Wild* | 33,944 | – | – | – | – | 33,944 |
| Total | 89,022 | 258,825 | 35,000 | 571 | – | 383,418 |

* The Directors remuneration includes fees received from the Company and the UK subsidiary.

The Chairman's emoluments for the year ended 30 June 2014 are detailed in the Director's remuneration table. The benefit in kind relates to payments made for medical insurance. The performance bonus is conditional upon a dividend of at least 1 pence per Share being paid. A performance bonus is payable at a maximum rate of 5% of the realised profits after current tax, less a return of 20% on the issued capital of £488,286. The Remuneration Committee recommended, and the Directors agreed to a performance bonus of £157,704 (2013: £39,025) for the year ended 30 June 2014. No Director waived emoluments for the year ended 30 June 2014.

**Directors' pension entitlement**

The Directors have no pension entitlements.

**Independent auditors**

PricewaterhouseCoopers CI LLP were re-appointed during the year as the Company's auditors and have indicated their willingness to continue in office as Auditors. In accordance with The Companies (Guernsey) Law, 2008, a resolution for the re-appointment of PricewaterhouseCoopers CI LLP as auditors of the Company is to be proposed at the Annual General Meeting.

**Corporate Governance Assurance Statement**

On 30 September 2011 the Guernsey Financial Services Commission (the 'Commission') issued the Finance Sector Code of Corporate Governance. This Code comprises Principles and Guidance, and provides a formal expression of good corporate practice against which shareholders, boards and the Commission can better assess the governance exercised over companies in Guernsey's finance sector.

The Directors have considered the effectiveness of the corporate governance practices of the Company. In the context of the nature, scale and complexity of the Company, the Directors are satisfied with the degree of compliance with the Principles set out in the Finance Sector Code of Corporate Governance as issued by the Commission.

**Performance Evaluation**

The Board evaluates its performance and considers the tenure and independence of each Director on an annual basis, and believes that the mix of skills, experience and length of services are appropriate to the requirements of the Company. In addition the Board conducted an evaluation of the Chairman and Investment Manager and was completely satisfied with the conduct of the Chairman and his performance as Investment Manager.

By order of the Board
Dexion Capital (Guernsey) Limited
Company Secretary
18 September 2014

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the consolidated financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare consolidated Financial Statements for each financial year. Under that law they have elected to prepare the consolidated Financial Statements in accordance with International Financial Reporting Standards and applicable law.

The consolidated Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these consolidated 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 consolidated Financial Statements; and
- prepare the consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the consolidated Financial Statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

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

The consolidated financial statements are published on the Group's website www.eloro.com. The maintenance and integrity of the website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

The Board of Directors approved and authorised the Group's Financial Statements for issue on 18 September 2014.

The Directors have availed themselves of Section 244(5) of The Companies (Guernsey) Law, 2008 and have presented consolidated financial statements of the Company and not the individual stand alone financial statements.

## HISTORICAL FINANCIAL DATA

| | THE EXPLORATION COMPANY plc | | | EL ORO MINING AND EXPLORATION COMPANY plc | | |
|---|---|---|---|---|---|---|
| Period[4] | Profit/(loss) before tax £ | Issued capital £ | Net assets at fair value (IFRS) £ | Profit/(loss) before tax £ | Issued capital £ | Net assets at fair value (IFRS) £ |
| 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 | 98,297 | 375,000 | 836,633 | 56,519 | 236,972 | 544,862 |
| 1959 | 90,125 | 375,000 | 1,294,943 | 65,846 | 300,000 | 1,021,310 |
| 1960 | 72,850 | 400,000 | 1,185,437 | 53,327 | 300,000 | 855,431 |
| 1961 | 97,029 | 600,000[1] | 1,261,848 | 44,870 | 450,000 | 892,466 |
| 1962 | 120,509 | 600,000 | 1,336,996 | 56,125 | 450,000 | 962,447 |
| 1963 | 136,085 | 600,000 | 1,651,454 | 92,859 | 450,000 | 1,188,391 |
| 1964 | 126,781 | 600,000 | 2,008,771 | 86,576 | 450,000 | 1,474,511 |
| 1965 | 157,264 | 600,000 | 2,258,181 | 104,685 | 450,000 | 1,651,027 |
| 1966 | 126,317 | 600,000 | 2,084,257 | 89,228 | 450,000 | 1,516,048 |
| 1967 | 184,054 | 600,000 | 3,256,899 | 139,202 | 450,000 | 2,492,348 |
| 1968 | 280,914 | 600,000 | 4,773,113 | 164,591 | 450,000 | 3,722,257 |
| 1969 | 176,789 | 600,000 | 5,194,065 | 132,968 | 450,000 | 3,963,291 |
| 1970 | 210,573 | 600,000 | 4,190,789 | 167,726 | 450,000 | 3,213,921 |
| 1971 | 378,863 | 600,000 | 4,413,814 | 322,473 | 450,000 | 3,315,685 |
| 1972 | 274,672 | 600,000 | 5,655,161 | 234,987 | 450,000 | 4,254,626 |
| 1973 | 256,814 | 600,000 | 4,029,713 | 176,011 | 450,000 | 3,210,061 |
| 1974 | 231,264 | 602,646[3] | 3,875,955 | 182,673 | 451,113 | 3,052,782 |
| 1975 | 443,110 | 602,646 | 5,091,975 | 355,833 | 451,113 | 3,821,366 |
| 1976 | 559,879 | 602,646 | 4,393,499 | 456,732 | 451,113 | 3,377,804 |
| 1977 | 702,992 | 602,646 | 5,922,335 | 544,471 | 451,113 | 4,257,605 |
| 1978 | 780,287 | 602,646 | 6,417,405 | 566,937 | 451,113 | 4,589,108 |
| 1979 | 711,962 | 602,646 | 7,673,981 | 551,087 | 451,113 | 5,654,320 |
| 1980 | 947,985 | 602,646 | 9,709,921 | 739,037 | 451,113 | 7,147,841 |
| 1981 | 1,032,601 | 602,646 | 9,554,229 | 745,668 | 451,113 | 6,699,295 |
| 1982 | 926,667 | 602,646 | 11,463,211 | 739,873 | 451,113 | 7,881,703 |
| 1983 | 1,295,151 | 602,646 | 14,682,943 | 1,040,894 | 451,113 | 11,040,026 |
| 1984 | 1,111,935 | 602,646 | 15,440,172 | 882,791 | 451,113 | 11,504,985 |
| 1985 | 1,225,978 | 602,646 | 15,233,310 | 1,011,557 | 451,113 | 11,586,431 |
| 1986 | 1,451,334 | 602,646 | 20,238,397 | 1,185,397 | 451,113 | 15,823,277 |
| 1987 | 1,859,803 | 602,646 | 24,851,990 | 1,447,315 | 451,113 | 19,710,991 |
| 1988 | 2,189,351 | 602,646 | 26,606,199 | 1,712,278 | 451,113 | 19,741,508 |
| 1989 | 2,879,131 | 602,646 | 32,328,183 | 2,567,259 | 451,113 | 25,448,777 |
| 1990 | 2,961,319 | 602,646 | 26,581,117 | 2,382,239 | 451,113 | 20,418,932 |
| 1991 | 2,075,120 | 602,646 | 29,887,400 | 1,666,051 | 451,113 | 25,423,822 |
| 1992 | 2,481,252 | 602,646 | 30,588,772 | 1,935,122 | 451,113 | 26,944,101 |
| 1993 | 1,722,587 | 602,646 | 40,510,012 | 1,546,932 | 451,113 | 36,927,938 |
| 1994 | 2,296,357 | 602,646 | 38,468,620 | 1,884,186 | 451,113 | 31,414,422 |
| 1995 | 2,331,234 | 602,646 | 42,692,619 | 1,962,909 | 451,113 | 40,609,985 |
| 1996 | 3,074,173 | 602,646 | 49,066,701 | 2,746,454 | 451,113 | 41,950,851 |
| 1997 | 2,204,613 | 602,646 | 50,279,497 | 1,840,458 | 451,113 | 45,087,651 |
| 1998 | 5,406,542 | 602,646 | 44,128,780 | 4,271,443 | 451,113 | 35,861,218 |
| 1999 | 5,621,549 | 602,646 | 51,650,997 | 4,036,102 | 451,113 | 44,300,703 |
| 2000 | 1,690,006 | 602,646 | 47,333,362 | 2,076,730 | 451,113 | 43,656,695 |
| 2001 | (75,552) | 602,646 | 40,924,033 | 1,921,428 | 451,113 | 37,942,826 |
| 2002 | 2,049,124 | 602,646 | 37,353,176 | 1,434,175 | 451,113 | 36,830,273 |

## HISTORICAL FINANCIAL DATA *(continued)*

**EL ORO AND EXPLORATION COMPANY LIMITED**
**(formerly: "The Exploration Company plc" and also "El Oro and Exploration Company plc")**

| Period[4] | Profit/(loss) before tax £ | Issued capital £ | Net assets at fair value (IFRS) £ |
|---|---|---|---|
| 2002 | 2,321,415 | 597,146 | 52,724,264[1] |
| 2003 | 3,938,278 | 597,146 | 64,963,076[1] |
| 2004 | 3,005,700[2] | 592,045 | 67,905,581 |
| 2006 | 12,018,986 | 541,785 | 72,214,062 |
| 2007 | 5,427,232 | 538,825 | 103,451,384 |
| 2008 | (543,872) | 538,825 | 87,484,641 |

**EL ORO LTD**

| Period | Profit/(loss) before tax £ | Issued capital £ | Net assets at fair value £ |
|---|---|---|---|
| 2009 | (30,381,174) | 538,825 | 54,480,674 |
| 2010 | 23,397,408 | 538,825 | 73,543,776 |
| 2011 | 30,363,697 | 538,825 | 103,239,075 |
| 2012 | (21,782,577) | 646,573 | 79,626,616 |
| 2013 | (13,688,199) | 646,573 | 59,720,657 |
| 2014 | 8,455,612 | 488,286 | 65,017,817 |

During 2009, El Oro Ltd completed a Scheme of Arrangement with El Oro and Exploration Company plc, with a share exchange offer of one new El Oro Ltd share for each El Oro and Exploration Company plc stock unit of 5 pence. The above table for The Exploration Company plc and El Oro Mining and Exploration Company plc 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 plc indicates the progress for the Group since then, applying the currently adopted accounting principles as outlined in the notes to the Financial Statements, note 1. Since, 2002 the net assets at fair value (IFRS) is calculated from the IFRS Financial Statements of the parent Company as follows:

| | **30 June 2014** **£** | 30 June 2013 £ |
|---|---|---|
| Net assets | **65,017,817** | 59,720,657 |
| **Add:** deferred tax | **4,674,130** | 4,372,967 |
| **Less**: tangible assets | **(1,137,135)** | (1,171,682) |
| **Net assets at fair value** | **68,554,812** | 62,921,942 |

The figures for El Oro Ltd during 2008/2009 include the subsidiaries financials from July 2008 to March 2009 when the Group reconstruction occurred.

**The amounts paid or pending since 1958:**

| | |
|---|---|
| Dividends | 40,430,185 |
| Taxation | 18,669,570 |
| | **59,099,755** |

[1] Bonus issue of one unit for every two units held.
[2] From 2004 the Group financial statements have been prepared under IFRS and the measurement of net assets at fair value or up to and including 2004 had excluded the potential charge to corporation tax for the excess net value over book cost, while for 2005 this charge is included.
[3] 52,925 stock units issued to members exercising their options to take additional stock units in lieu of cash dividend.
[4] To 2004 the period end of the Group was the twelve months to 31 December. The period for 2006 relates to the eighteen months to 30 June 2006.

From 1970 to 2002 the financial statements incorporate the Company's share of the result of their associated undertakings. The middle market price per stock unit at 30 June 2014 was 73.0 pence and at 30 June 2013 was 87.0 pence (which with 1 for 2 bonus in 1961 equals 303.0 pence) compared with a middle market price of 2.0 pence per stock unit at 31 December 1950.

## INDEPENDENT AUDITORS' REPORT
to the Members of El Oro Ltd

**Report on the financial statements**
We have audited the accompanying consolidated financial statements (the "financial statements") of El Oro Ltd which comprise the consolidated balance sheet as of 30 June 2014 and the consolidated statement of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**
In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 30 June 2014, and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

**Report on other legal and regulatory requirements**
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 the Group Operations Summary; Chairman's Statement; Investments with a fair value exposure greater than £500,000; Directors' report; Statement of Directors'responsibilities; Historical financial data.

In our opinion the information given in the Directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers CI LLP**
Chartered Accountants
Guernsey, Channel Islands
18 September 2014

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months to 30 June 2014

| | Notes | **30 June 2014**<br>**£** | 30 June 2013<br>£ |
|---|---|---|---|
| **Revenue** | 2 a | **1,856,905** | 2,019,301 |
| **Net profits / (losses) on investments** | 2 b | **9,598,350** | (12,556,856) |
| **Total profit / (loss)** | | **11,455,255** | (10,537,555) |
| **Expenses** | 3 | **(1,659,762)** | (1,785,772) |
| **Profit / (loss) before finance costs and taxation** | | **9,795,493** | (12,323,327) |
| **Finance costs** | | | |
| **Interest expense** | | **(1,339,881)** | (1,364,872) |
| **Profit / (loss) before taxation** | | **8,455,612** | (13,688,199) |
| **Taxation** | 5 | **(688,534)** | (666,771) |
| **Profit / (loss) for the financial year and total comprehensive income** | 6 | **7,767,078** | (14,354,970) |
| **Earnings per share (basic)** | 6 | **12.0p** | (22.2p) |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

| | Notes | **30 June 2014**<br>**£** | 30 June 2013<br>£ |
|---|---|---|---|
| Opening capital and reserves attributable to equity holders | | **59,720,657** | 76,305,325 |
| Total comprehensive income and profit / (loss) for the financial year | | **7,767,078** | (14,354,970) |
| Decrease of equity to Treasury account | | **(158,287)** | – |
| Dividends paid (net) | 4 | **(2,311,631)** | (2,229,698) |
| Closing capital and reserves attributable to equity holders | 18 | **65,017,817** | 59,720,657 |

The accompanying notes form an integral part of these financial statements.

The Group does not have any “Other Comprehensive income” and hence the “Profit / (loss) for the financial year” as disclosed above is the same as the Group’s Total Comprehensive Income.

## CONSOLIDATED BALANCE SHEET
as at 30 June 2014

| | Notes | **30 June 2014** £ | 30 June 2013 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **1,137,135** | 1,171,682 |
| | | **1,137,135** | 1,171,682 |
| **Current assets** | | | |
| Trade and other receivables | 9 | **1,389,150** | 2,829,213 |
| Investments held at fair value through profit or loss | 10 | **91,883,407** | 89,252,409 |
| Cash and cash equivalents | 15 | **308,383** | 641,495 |
| **Total current assets** | | **93,580,940** | 92,723,117 |
| **Current liabilities** | | | |
| Borrowings | 11 | **1,556,352** | 4,470,773 |
| Trade and other payables | 12 | **1,058,470** | 1,117,339 |
| Financial liabilities at fair value | 11 | **2,391,816** | 4,213,063 |
| Current tax liability | 13 | **19,490** | – |
| **Total current liabilities** | | **5,026,128** | 9,801,175 |
| **Net current assets** | | **88,554,812** | 82,921,942 |
| **Non-current liabilities** | | | |
| Borrowings | 11 | **20,000,000** | 20,000,000 |
| Deferred tax liabilities | 14 | **4,674,130** | 4,372,967 |
| **Total non-current liabilities** | | **24,674,130** | 24,372,967 |
| **Net assets** | | **65,017,817** | 59,720,657 |
| **Capital and reserves attributable to equity holders** | | | |
| Share capital | 17 | **488,286** | 646,573 |
| **Reserves** | 18 | | |
| Share premium | | **6,017** | 6,017 |
| Capital redemption reserve | | **347,402** | 347,402 |
| Merger reserve | | **3,564** | 3,564 |
| Retained earnings | | **64,172,548** | 58,717,101 |
| **Total equity** | | **65,017,817** | 59,720,657 |
| Net asset value per share | 19 | **100.9p** | 92.4p |

The Board of Directors approved and authorised the Group's financial statements for issue on 18 September 2014.

Signed on behalf of the Board by:

**CRW Parish**
Chairman

**JA Wild**
Director

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2014

| | Notes | **30 June 2014** **£** | 30 June 2013 £ |
|---|---|---|---|
| **Operating activities** | | | |
| Net profit / (loss) before tax | | **8,455,612** | (13,688,199) |
| **Adjustments for:** | | | |
| Depreciation | | **34,547** | 23,441 |
| Foreign exchange losses / (gains) | | **1,064,953** | (34,038) |
| Net unrealised (gains) / losses on fair value investments through the profit or loss | | **(9,247,394)** | 15,953,512 |
| Finance costs | | **1,339,881** | 1,364,872 |
| **Cash flow from operations before changes in working capital** | | **1,647,599** | 3,619,588 |
| Movement in financial assets at fair value through the profit or loss | | **4,317,768** | 585,848 |
| Decrease / (increase) in trade and other receivables | | **1,482,624** | (612,744) |
| (Decrease) / increase in trade and other payables | | **(50,915)** | 51,529 |
| **Cash flow from operations** | | **7,397,076** | 3,644,221 |
| Income taxes paid | | **708,024** | 247,877 |
| **Cash flow from operating activities** | | **8,105,100** | 3,892,098 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | – | (521,160) |
| **Cash flow used in investing activities** | | – | (521,160) |
| **Financing activities** | | | |
| Interest paid | | **(1,347,835)** | (1,367,228) |
| Net dividends paid to Shareholders | | **(2,311,631)** | (2,229,698) |
| **Cash flow used in financing activities** | | **(3,659,466)** | (3,596,926) |
| **Net increase / (decrease) in cash and cash equivalents** | | **4,445,634** | (225,988) |
| **Cash and cash equivalents - opening** | | **(3,829,278)** | (3,602,835) |
| Effect of foreign exchange rate changes | | **(1,821,764)** | (455) |
| **Cash and cash equivalents at 30 June** | 15 | **(1,205,408)** | (3,829,278) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

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

### 1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect at the date of this document. The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies are set out below.

### 1.2 Basis of consolidation

The consolidated financial statements are for the Company and its wholly owned UK subsidiaries which are controlled by the Company. All subsidiaries were wholly owned throughout the financial year. Inter-company balances and income and expenses arising from inter-company transactions, are eliminated in the preparation of the consolidated financial statements.

### 1.3 Financial assets and financial liabilities held at fair value through profit or loss

All investments (including securities, interest rate swaps, commodity forward contracts and contracts for difference) are designated upon initial recognition as held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments (securities, interest rate swaps, commodity forward contracts and contracts for difference) in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains/(losses) on investments".

Not withstanding the above, the variety of valuation bases adopted and quality of management information provided by the underlying investee companies means there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of those investments will differ from the values reflected in these financial statements and the difference may be significant.

From time-to-time the Group makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss. Further details on the derivative agreements are to be found in Note 11.

### 1.4 Financial liabilities

Trade payables and other monetary liabilities that are short term in nature are initially recognised at fair value and subsequently measured using the amortised cost method.

Borrowings that are initially recognised at the amount advanced net of transaction costs that are directly attributable to the issue of the instrument. These interest bearing liabilities are subsequently measured at the amortised cost using the effective interest rate method to ensure that any interest expense over the period is at a constant rate on the balance of the liability carried in the balance sheet. In this context, "interest expense" includes initial transaction costs and premiums payable on redemption, plus the interest or coupon payable while the liability is outstanding.

### 1.5 Revenue

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income on an ex-dividend basis. Interest on fixed interest debt securities is recognised using the effective interest rate method. Bank deposit interest is recognised on an accruals basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 1.6 Expenses

All expenses and interest payable are accounted for on an accruals basis.

### 1.7 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### 1.8 Foreign currency

The Group's investors are mainly from the United Kingdom, with the shares denominated in British Pounds. The performance of the Group is measured and reported to the investors in British Pounds.

The Directors consider the British Pound to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in British Pounds, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities and equity investments held at fair value through profit or loss that are denominated in foreign currency are translated into the British Pounds using the exchange rate prevailing at the balance sheet date. Foreign exchange gains and losses arising from translation are included in the consolidated statement of comprehensive income.

### 1.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### 1.10 Trade and other receivables

Trade and other receivables are short term in nature and carry no interest. These amounts are recognised initially at fair value and subsequently measured at amortised cost; any difference is recognised in the statement of comprehensive income.

### 1.11 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

The rates of depreciation are as follows:
- Freehold property 2%
- Paintings 2%
- Computer equipment 33%
- Fixtures and fittings 33%

Residual values and useful lives are reviewed each year end and adjusted as required. Where an asset's carrying amount is greater than its estimated recoverable amount, it is immediately written down to its estimated recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 1.12 Equity

When the Company repurchases share capital that is recognised as equity, all consideration paid, including any directly attributable cost, is recognised as a change in equity.

Equity dividends are recognised when they are declared/approved, final dividends are authorised for payment by shareholders at the Annual General Meeting, interim dividends are authorised for payment by Board resolution.

## 1.13 Segmental reporting

Under IFRS 8, operating segments are considered to be the components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker has been identified as the Chairman (with oversight from the Board).

The Directors are of the opinion that the Group has two operating segments, being the parent company El Oro Ltd, which has the objective of value and growth; holding stocks selected in pursuit of a blended value / growth investment style that seeks to identify companies with good growth prospects and which have not yet been fully recognised and priced into the market. While the subsidiary El Oro and Exploration Company Limited has an income portfolio with a focus on stocks in relatively mature sectors (e.g. some, but not all, brewing, utility, and mining stocks) which are typically characterised by high yields. An analysis of financial results and balances by business segment is set out in note 24. The amounts presented for each segment are based upon the accounting policies adopted in the Group Financial Statements.

Discrete financial information for these segments is reviewed regularly by the Chairman who allocates resources and the Board who oversees the Chairman's performance.

In line with IFRS 8, additional disclosure by geographical segment has been provided in note 24.

Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

## 1.14 Key estimates and assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The only estimates and assumptions that may cause material adjustment to the carrying value of assets and liabilities relate to the valuation of unquoted investments. These are valued in accordance with the techniques set out in note 1.3.

At the year end, unquoted investments represented 13.4% of net assets (2013 = 21.5% of net assets).

## 1.15 Standards, amendments and interpretations

**Relevant and effective in the current financial year**

IFRS 10, Consolidated financial statements (effective 1 January 2013).
IFRS 12, Disclosure of interests in other entities (effective 1 January 2013).
IFRS 13, Fair value measurement (effective 1 January 2013).
IAS 27, Separate financial statements (effective 1 January 2013).

**Relevant and effective in future financial year**

Amendment to IFRS 9, Financial instruments (effective 1 January 2018).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 2. INVESTMENT INCOME

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£** | £ |
| a. **Revenue** | | |
| Dividends from investments | **1,848,063** | 2,016,404 |
| Other income | **8,842** | 2,897 |
| | **1,856,905** | 2,019,301 |

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£** | £ |
| b. **Net profits / (losses) on investments** | | |
| Net unrealised gains / (losses) on fair value of investments through the profit or loss | **9,247,394** | (15,953,512) |
| Net realised gains on fair value of investments through the profit and loss | **1,415,909** | 3,362,618 |
| Net foreign exchange (losses) / gains | **(1,064,953)** | 34,038 |
| Net gains / (losses) on investments | **9,598,350** | (12,556,856) |

The ‘Net unrealised gains / (losses) on fair value investments through the profit or loss’ has a foreign exchange component that was negative £2,871,463 during the financial year (2013: negative £1,135,332).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 3. EXPENSES

| | **30 June 2014** **£** | 30 June 2013 £ |
|---|---|---|
| **Employment costs** | | |
| Wages and Salaries | **987,065** | 1,006,372 |
| Social Security costs | **63,838** | 66,380 |
| Pension costs | **–** | 3,550 |
| | **1,050,903** | 1,076,302 |
| Benefits in kind included within employment costs | **614** | 571 |
| Custodial costs | **72,709** | 70,284 |
| Administration costs | **117,332** | 120,162 |

| | **30 June 2014** **£** | 30 June 2013 £ |
|---|---|---|
| **Auditors' remuneration** | | |
| Fees payable to the Company's auditor for the audit of parent company and consolidated financial services | **41,250** | 40,000 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| The audit of the Company's subsidiaries pursuant to legislation | **36,040** | 35,000 |
| | **77,290** | 75,000 |

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| **Monthly average staff numbers (including executive Director)** | | |
| Investing / research | **2** | 2 |
| Administration | **4** | 4 |
| | **6** | 6 |

Full details of the fees and emoluments for each Director are provided in the Directors' report on pages 9 and 10.

### 4. DIVIDENDS PAID

| | **Paid during year to** | |
|---|---|---|
| | **30 June 2014** **£** | 30 June 2013 £ |
| Final dividend of 3.6 pence (2013: 3.5 pence) paid per ordinary Share | **2,311,631** | 2,250,407 |
| Dividends unclaimed after 12 years | **–** | (20,709) |
| Net dividends | **2,311,631** | 2,229,698 |

**Dividends paid and proposed**
The Directors approved a dividend of 3.7 pence per Share (2013: 3.6 pence per Share) totalling £2,384,920 (2013: £2,327,664).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 5. TAXATION

#### 5.1 Local tax – Guernsey

The Company is resident for tax purposes in Guernsey. The Company is exempt from Guernsey income tax under The Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 and 1992 and is charged an annual exemption fee of £600.

#### 5.2 Foreign tax – United Kingdom

The Company's subsidiaries are resident for tax purposes in the United Kingdom.

| | **30 June 2014 £** | 30 June 2013 £ |
|---|---|---|
| **Analysis of tax charge** | | |
| **Current tax** | | |
| UK corporation tax on profits / (losses) for the year | **380,046** | 276,523 |
| Adjustment in respect of prior year | **(1,191)** | – |
| Overseas tax charge | **8,516** | 12,535 |
| **Total current tax** | **387,371** | 289,058 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | **301,163** | 377,713 |
| **Total deferred tax** | **301,163** | 377,713 |
| **Tax on (profit) / losses from ordinary activities** | **688,534** | 666,771 |

**Factors affecting tax charge**

The tax assessed is lower (2013: lower) than the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%).

| | **30 June 2014 £** | 30 June 2013 £ |
|---|---|---|
| **The differences are explained below** | | |
| Profit / (loss) on ordinary activities before tax | **8,455,612** | (13,688,199) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%) | **1,902,629** | (3,251,292) |
| **Effects of** | | |
| Expenses not deductible for tax | **46,589** | 64,648 |
| Income not subject to tax | **(591,199)** | 4,022,642 |
| Tax rate differences | **(679,645)** | (185,038) |
| Depreciation in excess of capital allowances | **11,351** | 15,811 |
| Adjustments in respect of prior year | **(1,191)** | – |
| Total tax charge for the year | **688,534** | 666,771 |

The Group anticipates claiming capital allowances in excess of depreciation in future periods reversing the position previously where depreciation has been higher than capital allowances.

On 21 March 2012 the Chancellor of the Exchequer announced a number of changes to the main rate of UK corporation tax. With effect from 1 April 2012 the rate fell from 26% to 24%. This was enacted on 26 March 2012 under the Provisional Collection of Taxes Act 1968. With effect from 1 April 2013 the main rate fell from 24% to 23%. This was substantively enacted on 3 July 2012 when the Finance Bill 2012 received its third reading in the House of Commons.

Deferred tax balances have been remeasured to 22.5%. This was the rate enacted at the balance sheet date.

Further changes to the main rate of UK corporation tax were announced by the Chancellor of the Exchequer in his Autumn Statement on 5 December 2012 and in his Budget on 20 March 2013. The rate fell by 2% to a rate of 21% with effect from 1 April 2014 and will fall by a further 1% to a rate of 20% with effect from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements. The directors estimate that the maximum effect of the rate reductions not substantively enacted will not be material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 6. EARNINGS PER SHARE (BASIC)

| | **30 June 2014** **£** | 30 June 2013 £ |
|---|---|---|
| Profit / (loss) after tax | **7,767,078** | (14,354,970) |
| Weighted average number of shares in basic EPS | **64,457,305** | 64,657,340 |
| **Earnings per share (basic)** | **12.0p** | (22.2p) |

### 7. PROPERTY, PLANT AND EQUIPMENT

| | **Freehold property £** | **Fixtures, fittings, paintings and computer equipment £** | **Total** |
|---|---|---|---|
| **Year ended 30 June 2013** | | | |
| At cost | 745,503 | 660,877 | 1,406,380 |
| Accumulated depreciation | (141,315) | (93,383) | (234,698) |
| **Net book value** | **604,188** | **567,494** | **1,171,682** |
| **Year ended 30 June 2014** | | | |
| Opening net book value | 604,188 | 567,494 | 1,171,682 |
| Depreciation for year | (14,884) | (19,663) | (34,547) |
| **Closing net book value** | **589,304** | **547,831** | **1,137,135** |

The amount of expenditure for new paintings during the year was £nil (2013: £504,400). The £500,000 increase in normal acquisitions during 2013 relates to the purchase of a Jan Siberechts (1627 – 1703) "The River Thames below Culham" signed and date 1682: this is on display at "River and Rowing Museum" in Henley.

### 8. SUBSIDIARY COMPANIES

The Company held the entire issued share capital and voting power of the following companies all of whom are registered in England and Wales and operate in England as at 30 June 2014.

| | **Number of shares** | **Nominal value** | **Net assets £'000** | **Profit before tax £'000** | **Book value £** |
|---|---|---|---|---|---|
| **Investment companies** | | | | | |
| El Oro and Exploration Company Limited | 10,776,501 | ord. 5p shares | 21,158 | 5,157 | 538,825 |
| Investigations and Management Limited | 5,000 | ord. £1.00 shares | 91 | 11 | 3,080 |
| **Dormant companies** | | | | | |
| El Oro Mining and Exploration Company Limited | 4,511,135 | ord. 10p shares | 454 | – | 456,110 |
| General Explorations Limited | 1,000,000 | ord. 5p shares | 50 | – | 2,747 |
| Group Traders Limited | 30,040 | ord. 5p shares | 2 | – | 37,500 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 9. TRADE AND OTHER RECEIVABLES

| | **30 June 2014 £** | 30 June 2013 £ |
|---|---|---|
| Trade receivables - amounts due from brokers | **900,539** | 2,775,554 |
| Other receivables | **488,611** | 53,659 |
| | **1,389,150** | 2,829,213 |

Trade receivables are settled on the requirements of the relevant stock exchange, which is normally within one week of trade date. Other receivables are mainly accrued dividend income, normally due within a 30 day period.

## 10. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

In accordance with IFRS 13 the Company has classified for disclosure purposes fair market measurements in relation to the degree of reliability of these measurements. The classification uses a hierarchy that reflects the significance of the inputs used in making the measurements, using the following levels.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data. Level 3 includes private equity and corporate debt.

The valuation techniques used by the company are explained in note 1.3.

A reconciliation of fair value measurements in level 3 is set out below.

| | **30 June 2014 £** | 30 June 2013 £ |
|---|---|---|
| Level 1 - quoted prices (unadjusted) | **76,928,042** | 68,829,518 |
| Level 2 - observable price inputs | **2,620,265** | 3,973,332 |
| Level 3 - unobservable price inputs | **12,335,100** | 16,449,559 |
| | **91,883,407** | 89,252,409 |

| **Reconciliation of fair value measurements in level 3** | **30 June 2014 £** | 30 June 2013 £ |
|---|---|---|
| **Opening balance** | **16,449,559** | 16,159,368 |
| Acquisitions | **4,315,479** | 1,519,412 |
| Disposal (receipts) / proceeds | **(3,565,065)** | 326,216 |
| Transfers (out of) / in to Level 3 | **(3,497,493)** | 3,250,805 |
| **Total (losses) / gains included in the Consolidated Statement of Comprehensive Income** | | |
| on assets sold | **(63,166)** | 46,795 |
| on assets held at the year end | **(1,304,214)** | (4,853,037) |
| **Closing balance** | **12,335,100** | 16,449,559 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 11. FINANCIAL LIABILITIES – BORROWINGS AND DERIVATIVES

| | 30 June 2014 £ | 30 June 2013 £ |
|---|---|---|
| **Current** | | |
| Bank overdrafts | **683,145** | 4,470,773 |
| Amounts due to brokers | **873,207** | – |
| | **1,556,352** | 4,470,773 |
| Financial liabilities at fair value | **2,391,816** | 4,213,063 |
| | **3,948,168** | 8,683,836 |

| | 30 June 2014 £ | 30 June 2013 £ |
|---|---|---|
| **Non-current** | | |
| Bank loan | **20,000,000** | 20,000,000 |
| | **20,000,000** | 20,000,000 |

The subsidiary company El Oro and Exploration Company Limited has overdraft facilities that are repayable on demand and additionally a bank loan that is not recallable for five years from 11 March 2011 with Lloyds TSB plc. These facilities are comprised of a fully drawn loan of £20 million, with a further £5 million for working capital and liquidity management. There is a registered charge on all of the assets in favour of Lloyds TSB plc, the Group's bankers, as security for all liabilities and obligations owed by the Group to the bank.

Derivative agreements have been entered into for varying purposes as follows:
- Interest rate SWAPS for the purpose of fixing the interest rate payable on the Group's funding; and
- Commodity forward (1 year) contracts in precious metals such as gold bullion to gain direct exposure to the commodity price.

Derivatives are categorised as financial assets or financial liabilities held for trading.

None of these derivatives are classified as a hedge in a hedging relationship.

Financial instruments at fair value comprise short derivative financial instruments; this category is carried in the balance sheet at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The subsidiary company El Oro and Exploration Company Limited has a line of credit for commodity forward contracts with Lloyds TSB plc up to £5.0 million. Commodity forward positions are recognised as an investment in the consolidated financial statements under IFRS when held, 30 June 2014 £nil (30 June 2013: £785,011).

There is a general lien on assets in favour of HSBC Bank plc as security for any liabilities and obligations owed by the Group to the bank.

### 12. TRADE AND OTHER PAYABLES

| | 30 June 2014 £ | 30 June 2013 £ |
|---|---|---|
| Other payables | **194,182** | 352,665 |
| Accruals | **601,722** | 567,873 |
| Unclaimed dividends | **262,566** | 196,801 |
| | **1,058,470** | 1,117,339 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 13. CURRENT TAX LIABILITY

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£** | £ |
| Corporation tax | **19,490** | – |

## 14. DEFERRED TAX LIABILITIES

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£** | £ |
| Opening balances at 1 July | **4,372,967** | 3,995,254 |
| Net gains on investments | **302,354** | 377,713 |
| Depreciation under capital allowances | **(1,191)** | – |
| Closing balances at 30 June | **4,674,130** | 4,372,967 |

Deferred tax is calculated in full on temporary differences under the liability method using an average tax rate of 22.5% (2013: 23.75%) and is calculated at the rate at which the deferred tax is expected to reverse.

The estimated timing for the recovery or settlement of the deferred tax asset or liability is likely to be after more than 12 months owing to the nature of the assets on which the provision is determined.

## 15. CASH AND CASH EQUIVALENTS

| | **30 June 2014** | 30 June 2013 |
|---|---|---|
| | **£** | £ |
| Cash available on demand | **308,383** | 641,495 |
| Bank overdraft | **(683,145)** | (4,470,773) |
| Amounts due to brokers | **(830,646)** | – |
| | **(1,205,408)** | (3,829,278) |

## 16. COMMITMENTS AND CONTINGENT LIABILITIES

Within the normal course of business, the Group has committed to subscribe for securities. As at 30 June 2014 this commitment totalled £767,369 (2013: £204,000).

## 17. SHARE CAPITAL

| | **El Oro Ltd** | | El Oro Ltd | |
|---|---|---|---|---|
| | **30 June 2014** | **30 June 2014** | 30 June 2013 | 30 June 2013 |
| | **No.** | **£** | No. | £ |
| **Authorised** | **unlimited** | **unlimited** | unlimited | unlimited |
| Issued and fully paid<br>Shares with no par value | **64,457,305** | **488,286** | 64,657,340 | 646,573 |
| Held in Treasury | **200,035** | **158,287** | – | – |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 18. EQUITY RESERVES

| | Capital £ | Share premium £ | Capital redemption reserve £ | Merger reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|
| At 1 July 2012 | 646,573 | 6,017 | 347,402 | 3,564 | 75,301,769 | 76,305,325 |
| Loss for the year | – | – | – | – | (14,354,970) | (14,354,970) |
| Dividends (net) | – | – | – | – | (2,229,698) | (2,229,698) |
| As at 30 June 2013 | 646,573 | 6,017 | 347,402 | 3,564 | 58,717,101 | 59,720,657 |

| | Capital £ | Share premium £ | Capital redemption reserve £ | Merger reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|
| At 1 July 2013 | 646,573 | 6,017 | 347,402 | 3,564 | 58,717,101 | 59,720,657 |
| Profit for the year | – | – | – | – | 7,767,078 | 7,767,078 |
| Treasury shares | (158,287) | – | – | – | – | (158,287) |
| Dividends (net) | – | – | – | – | (2,311,631) | (2,311,631) |
| As at 30 June 2014 | 488,286 | 6,017 | 347,402 | 3,564 | 64,172,548 | 65,017,817 |

**Share premium**
The share premium reserve maintains the amount that has been subscribed for share capital in excess of the share capital's par, or nominal value. This reserve relates to the subsidiary companies.

**Capital redemption reserve**
The capital redemption reserve maintains the par or nominal value amount that is transferred from share capital on the cancellation of issued shares. This reserve relates to the subsidiary companies.

**Merger reserve**
The Merger reserve was created on 5 September 2003 when merging the Financial Statements from the El Oro Mining Company Limited (formerly plc) and Exploration Company plc, plus the subsequent adjustment on the disposal of Danby Registrars Limited. This reserve relates to the subsidiary companies.

**Retained earnings**
This reserve maintains the net gains and losses as recognised in the consolidated statement of comprehensive income. The distributable retained earnings for El Oro Ltd is included in the Company's balance sheet and not the Group's Consolidated balance sheet.

### 19. NET ASSETS PER SHARE

The net assets per Share figure is based on net assets of £65,017,817 (2013: £59,720,657) divided by 64,457,305 (2013: 64,657,340) Shares in issue at the year end.

### 20. CASH FLOW – MATERIAL NON-CASH ITEMS

There were no material non-cash items during the year (2013: £nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 21. RELATED PARTY TRANSACTIONS

The Company and its subsidiary companies are related parties; as such, any transactions between these related parties have been eliminated in consolidating the Group's figures.

The compensation payable to Key Management personnel comprised £295,244 (2013: £383,418) paid by the Group to the Directors in respect of services to the Group. Full details of the compensation for each Director are provided in the Directors' report on pages 9 and 10.

During the year the subsidiary company El Oro and Exploration Company Limited purchased goods amounting to £3,037 (2013: £6,143) from Danby Registrars Limited, a company wholly owned by CRW Parish, an executive Director of the Company.

El Oro and Exploration Company Limited owns the UK Group subsidiaries' registered office, 41 Cheval Place.

Members of the Parish family paid accommodation costs to the Company for the use of the property during the year to 30 June 2014, this amounted to £720 (2013: £35). No amounts remain outstanding at the year ended 30 June 2014 (2013: £nil).

CRW Parish is a non-executive director in Troy Resources, a stock held in the portfolio. JA Wild is a non-executive director in James Halstead, a stock held in the portfolio.

## 22. FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments are contained within its portfolio in investments, derivatives and commodities, cash balances, receivables and payables that arise directly from its operations, such as sales and purchases awaiting settlement, and bank borrowings used to partly finance the Group's operations.

The principal activity of the Group is dealing in investments. Investments in UK companies form the bulk of the portfolio. The Group's main aim is to steadily increase the net asset value and dividend. The Group deals in listed and unlisted investments or other financial instruments, including derivatives and commodities. The Group is exposed to certain inherent risks that could result in either a reduction in the net assets, or a reduction in the profits available for distribution by way of dividends.

The Group finances its operations through retained profits, bank overdrafts and secured borrowings on transactions with brokers.

The Group has little exposure to credit and cash flow risk as a large proportion of its current assets are in readily realisable investments. Unlisted investments in the portfolio may not be immediately or readily realisable. This is generally not significant in normal market conditions as the majority of the Group's investments are listed on recognised stock exchanges and are generally liquid. Hence, liquidity risk is not considered to be significant. The Directors take this risk into account before making such investments and when determining the valuation of these assets. Additionally, the Group takes account of these risks when setting investment policy and making investment decisions, by monitoring economic and market data to minimise the Group's exposure.

Credit risk is the potential exposure of the Group to loss in the event of a non-performing counterparty. The Group manages the credit risk that arises during normal commercial operations, within the guidelines set by the Board. The Group also has credit exposures in financial and specialised markets as a result of dealing in investments and other financial instruments, including derivatives and commodities. The Group controls the related credit risk in financial and specialised markets by only entering into contracts with counterparties who are duly registered securities dealers that are in the Board's estimation, and on the basis of past performance, historically sound and consequently, highly credit-rated.

The contractual maturities of the financial liabilities at 30 June 2014, based on the earliest date on which payment can be required to be made was as follows:

| As at 30 June 2014 | Repayable on demand £'000 | 3 months or less £'000 | Not more than 1 year £'000 | Not more than 5 years £'000 | More than 5 years £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Current:** | | | | | | |
| Financial liabilities at fair value through the profit or loss | – | 165 | 489 | 2,255 | 4,410 | 7,319 |
| Overdrafts – due on demand | 683 | – | – | – | – | 683 |
| Other payables | – | 838 | – | 263 | – | 1,101 |
| **Non-current:** | | | | | | |
| Bank loan | – | – | – | 20,000 | – | 20,000 |
| | **683** | **1,003** | **489** | **22,518** | **4,410** | **29,103** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 22. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

The contractual maturities of the financial liabilities at 30 June 2013, based on the earliest date on which payment can be required to be made as follows:

| As at 30 June 2013 | Repayable on demand £'000 | 3 months or less £'000 | Not more than 1 year £'000 | Not more than 5 years £'000 | More than 5 years £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Current:** | | | | | | |
| Financial liabilities at fair value through the profit or loss | – | 166 | 492 | 2,386 | 4,978 | 8,022 |
| Overdrafts – due on demand | 4,470 | – | – | – | – | 4,470 |
| Other payables | – | 766 | – | 197 | – | 963 |
| Commodities – forward contracts | – | 127 | 1,473 | – | – | 1,600 |
| **Non-current:** | | | | | | |
| Bank loan | – | – | – | 20,000 | – | 20,000 |
| | **4,470** | **1,059** | **1,965** | **22,583** | **4,978** | **35,055** |

**Fair values of financial assets and financial liabilities**
The purpose of the following table is to summarise the fair and book value of the financial assets together with the financial liabilities. There is no difference between the book value and fair value and this summary excludes short-term receivables and payables. The Group's policy in relation to the role of financial instruments and risk and is consistent with the position throughout the year and also during the comparative period.

| | **30 June 2014 Fair and book value £** | 30 June 2013 Fair and book value £ |
|---|---|---|
| **Financial assets** | | |
| Cash and bank balances | **308,383** | 641,495 |
| **Financial assets at fair value through profit or loss** | | |
| Listed fair value investments | **79,548,308** | 67,370,787 |
| Unlisted fair value investments | **12,335,100** | 21,096,611 |
| Commodities* | – | 785,011 |
| | **92,191,791** | 89,893,904 |
| **Financial liabilities** | | |
| Bank overdraft | **683,145** | 4,470,773 |
| Commodities* | – | 1,599,987 |
| Derivatives** | **3,222,462** | 2,740,509 |
| | **3,905,607** | 8,811,269 |
| **Financial liabilities** | | |
| Bank loan | **20,000,000** | 20,000,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 22. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

* Commodity forward contracts are contractual obligations to buy or sell the underlying commodity at a future date. When a contract matures, the contractual obligation is to exchange the actual commodity with the counterparty, open positions are closed by entering into an opposite contract to buy or sell prior to a settlement date when physical positions. The commodity forward contracts in the portfolio are valued at market rates and graded as a Level 1 - quoted prices for the IFRS 13 fair value hierarchy. While the corresponding liability would also be graded at Level 1.

At 30 June 2014 the Group held no contracts of Gold. At 30 June 2013 the Group held 4 contracts for a total of 1,000 ounces of Gold with a fair value of £785,011.

** Derivatives comprise three interest rate swaps with Lloyds TSB Bank plc.
(1) £10 million fixed at 4.1% over 20 years;
(2) £5 million fixed at 4.15% over 15 years; and
(3) £5 million fixed at 2.84% over 5 years;

In the event that the swaps had been closed on 30 June 2014 it would have realised a loss of £2,391,816 (2013: loss of £2,740,509). This amount has been recognised as a financial liability at fair value in the consolidated financial statements under IFRS. The fair value of the swap on 30 June 2014 is a liability of £2,391,816 (2013: £2,740,509) based upon the valuation confirmation provided by Lloyds TSB Bank plc.

Fair value is determined from the bid price on the purchase of an investment and the swaps are graded as a Level 3 - inputs for the asset or liability that are not based on observable market data.

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

- market price risk (movements in the value of investment holdings caused by factors other than interest rate or currency movement);
- currency risk;
- interest rate risk; and
- liquidity risk.

**Market price risk**
The Group exposure to market price risk is mainly contained in potential movements in the fair value of its investments, including equities, property and commodities. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market, principally in commodities and the exploration, mining, property and brewing sectors. The Group's investments are not tied to a linear market price risk owing to the portfolio's diversified structure. However, in line with IFRS 13, were each of the equities holdings to experience a 5 percent rise or fall in their fair value this would result in the Group's net asset value and consolidated statement of comprehensive income increasing or decreasing by £4,594,170 or 7.1% (2013: £4,462,620 or 7.5%). Additionally, were each of the commodities holdings to experience a 5 percent rise or fall in their fair value this would result in the Group's net asset value and consolidated statement of comprehensive income increasing or decreasing by £nil or nil% (2013: £39,251 or 0.04%).

The focus is on a macro strategy for the portfolio, which looks at the long-term. However, trading is managed by monitoring on a daily basis company announcements, market information and having regular contact with stockbrokers on the securities and commodities within the Group's investment universe. The Group directors provide additional support in the course of applying their respective knowledge and advice when monitoring the Group's portfolio.

**Currency risk**
The Group exposure to currency risk comes from investment in listed overseas stock markets, short-term funding from transactions with overseas stockbrokers and also from foreign currency holdings. The Group does not hedge against currency risk, as the relative strength and weakness of a currency is considered when making an investment decision. Receipts in a currency other than British Pounds are converted only to the extent that they are not required for settlement obligations in that currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 22. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

| | **30 June 2014 £** | 30 June 2013 £ |
|---|---|---|
| **Key currencies** | | |
| Australian dollar | **6,442,248** | 7,459,813 |
| Canadian dollar | **5,695,547** | 5,721,272 |
| Malaysian ringitt | **2,088,123** | 2,153,140 |
| South African rand | **931,366** | 913,002 |
| US dollar | **8,521,620** | 9,222,885 |
| | **23,678,904** | 25,470,112 |
| **Other currencies** | | |
| Euro | **410,314** | 206,163 |
| Japanese yen | **317,451** | 403,418 |
| Norwegian krone | **94,359** | 31,813 |
| Swedish krona | **43,690** | 48,717 |
| | **865,814** | 690,111 |
| | **24,544,718** | 26,160,223 |

It should be noted that for the purposes of IFRS 13, currency risk does not arise from financial instruments that are non-monetary items.

| **Key currencies** | **2014 £** | 2013 £ | Change in currency rate (%) | **Effect on net assets 2014 (£'000)** | Effect on net assets 2013 (£'000) |
|---|---|---|---|---|---|
| Australian dollar | **6,442,248** | 7,459,813 | 5 | **322** | 373 |
| Canadian dollar | **5,695,547** | 5,721,272 | 5 | **285** | 286 |
| Malaysian ringitt | **2,088,123** | 2,153,140 | 5 | **104** | 108 |
| South African rand | **931,366** | 913,002 | 5 | **47** | 46 |
| US dollar | **8,521,620** | 9,222,885 | 5 | **426** | 461 |
| | **23,678,904** | 25,470,112 | | **1,184** | 1,274 |
| Other currencies | **865,814** | 690,111 | 5 | **43** | 35 |
| | **24,544,718** | 26,160,223 | | **1,227** | 1,309 |

The rise or fall in the value of the British Pound against other currencies by 5.0 % would result in the Group's net assets value and consolidated statement of comprehensive income, which are denominated in currencies other than British Pounds at balance sheet date, increasing or decreasing by £1,227,000 or 1.9% (2013: £1,309,000 or 2.2%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

## 22. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

**Interest rate risk**
The Group has both interest bearing assets and liabilities.

The Group has an indirect exposure to interest rate risk, which results from the effect that changes in interest rates might have on the valuation of investments within the portfolio. The majority of the portfolio's financial assets are equity shares that pay dividends, not interest. Interest is charged on the bank overdraft and other bank loans; the interest rate is over various currency base rates or at rates negotiated with other financial institutions. Borrowing at year-end was £21,556,352 (2013: £24,470,773 (see note 11) and if that level of borrowing were maintained for a year with a 1 percent point change in the interest rate (up or down) net revenue before tax would increase or decrease by £215,564 or 0.3% on net assets (2013: £244,708 or 0.4% on net assets). At a floating interest rate greater than 2.84%, 4.1% or 4.15% the Group will receive payments from the counter party to the interest rate swaps, thereby limiting the Group's interest rate exposure on £20 million to 4.1% on £10 million (20 years), 4.15% on £5 million (15 years) and 2.84% on £5 million (5 years).

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

| | **30 June 2014 Fixed rate at fair value £** | 30 June 2013 Fixed rate at fair value £ |
|---|---|---|
| Fixed rate notes (assets) | **409,635** | 572,162 |

The effective interest rate on these financial assets is 7.6% (2013: 6.0%).

**Credit risk**
The Group takes on limited exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The Group attempts to mitigate this risk by i) diversification within the portfolio of investments, ii) careful selection of investments and iii) active monitoring of the investment's performance.

**Liquidity risk**
The Group's asset mainly comprises, readily realisable securities which may be sold to meet funding requirements as necessary. However, there is a portion of the securities in the Group's portfolio £12.3 million or 13.4% (2013: £19.4 million or 21.5%) that are unquoted and this might restrict their disposal should the Group wish to realise such securities. The Board monitors the levels of holdings which might affect liquidity owing to a lack of marketability in the securities on a regular basis to ensure that operations are not compromised by a lack of liquidity.

In addition to the financial assets listed above, the subsidiary El Oro and Exploration Company Limited may have open forward contracts in commodities from time to time. These are disclosed in the consolidated balance sheet when held.

**Capital management policies and procedures**
The Group's capital management objectives are to ensure that it will be able to continue as a going concern, and to maximise the income and capital return to Shareholders through an appropriate balance of equity capital and debt.

The portfolio includes unquoted investments which total £12.3 million or 13.4% (2013: £16.5 million or 18.4%) of the total portfolio on a fair value basis. These unquoted investments are held at valuations determined by the Directors, as discussed in note 1.3.

The Group's capital at 30 June 2014 comprises equity share capital, reserves and debt as shown in the consolidated balance sheet at a total of £86,531,608 (2013: £84,191,430). The Directors review and consider the broad structure of the Group's capital on an ongoing basis. These considerations include:

- Share repurchases, assessed based upon the share prices' discount or premium to net asset value;
- Equity issues; and
- Dividend policy.

**Share repurchases**
Under the Articles the Company has the authority to purchase the Shares as described in its Admission document. There may be occasions when the Board is precluded from making such purchases as it is in possession of unpublished price sensitive information relating to the Company; generally the Board will consider Share repurchases whenever Shares trade at a sufficient discount to net asset value and the Company has sufficient funds available. Share repurchases are made on market at the market rate provided that price is less than the net asset value per Share. This generally has the effect of increasing the net asset value attributable to the remaining Shares and boosts return for the Company's remaining shareholders.

The Company is subject to externally imposed capital requirements in that as a public company, the Company is required to have a minimum share capital of £50,000 and is only able to pay dividends from distributable reserves.

The Group has complied with the Board's requirements in relation to the Group's policies and processes for managing the Group's capital, which were unchanged from the Group's requirements in the comparative financial year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 23. SUBSEQUENT EVENTS

In accordance with IAS 10 Events after the balance sheet date, changes in asset prices after the balance sheet date constitute a non-adjusting event as they do not relate to conditions that existed at the balance sheet date. Accordingly, it is not appropriate to reflect any financial effect of these changes in asset prices in the balance sheet as at 30 June 2014.

The Board has resolved to pay a final dividend of 3.7 pence for the year-ended 30 June 2014 on 24 November 2014 to Members registered on the books of the Company at the close of business on 31 October 2014.

On 2 July 2013, the Company purchased 95,380 shares with no par value into Treasury, with a further 104,655 shares with no par value also purchased into Treasury on 18 November 2013.

### 24. OPERATING SEGMENTS

**Operating segments**
The Directors consider that the Group has two operating segments, being the Company, El Oro Ltd with a value and growth portfolio that holds stocks selected in pursuit of a blended value / growth investment style primarily for capital appreciation in accordance with the Company's published investment objective, and its wholly owned subsidiary, El Oro and Exploration Company Limited, which focuses on stocks in relatively mature sectors (e.g. some, but not all, brewing, utility, and mining stocks) which are typically characterised by high yields.

Financial information for both segments is reviewed regularly by the Chairman and the Board who allocate resources and assess performance. The amounts presented for each segment are based on the accounting policies adopted in the Group Financial Statements.

**Segment financial information**

| **Statement of comprehensive income**<br>For the twelve months to 30 June | **Company<br>30 June 2014<br>£** | **Subsidiary<br>30 June 2014<br>£** | Company<br>30 June 2013<br>£ | Subsidiary<br>30 June 2013<br>£ |
|---|---|---|---|---|
| Revenue | **(226,043)** | **962,312** | 1,047,385 | 1,820,476 |
| Net gains / (losses) on investments | **3,832,234** | **6,886,752** | (17,048,020) | 3,642,604 |
| **Total income** | **3,606,191** | **7,849,064** | (16,000,635) | 5,463,080 |
| Expenses | **(775,408)** | **(884,354)** | (781,478) | (1,004,294) |
| **Profit / (loss) before finance costs and taxation** | **2,830,783** | **6,964,710** | (16,782,113) | 4,458,786 |
| **Finance costs:** | | | | |
| Interest expense | **(216,901)** | **(1,122,980)** | (167,525) | (1,197,347) |
| **Profit / (loss) before taxation** | **2,613,882** | **5,841,730** | (16,949,638) | 3,261,439 |
| Taxation | **8,263** | **(696,797)** | 11,728 | (678,499) |
| **Profit / (loss) for the financial year and total comprehensive income** | **2,622,145** | **5,144,933** | (16,937,910) | 2,582,940 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 24. OPERATING SEGMENTS *(continued)*

| **Balance sheet** at 30 June | **Company 30 June 2014 £** | **Subsidiary 30 June 2014 £** | Company 30 June 2013 £ | Subsidiary 30 June 2013 £ |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | – | **1,137,135** | – | 1,171,682 |
| Investment in subsidiary | **538,825** | – | 538,825 | – |
| | **538,825** | **1,137,135** | 538,825 | 1,171,682 |
| **Current assets** | | | | |
| Trade and other receivables | **942,183** | **8,495,221** | 141,280 | 10,107,770 |
| Investments held at fair value | **50,915,435** | **40,967,972** | 50,574,193 | 38,678,216 |
| Cash and bank balances | **132,571** | **175,812** | 253,827 | 387,668 |
| **Net current assets** | **51,990,189** | **49,639,005** | 50,969,300 | 49,173,654 |
| **Current liabilities** | | | | |
| **Financial liabilities** | | | | |
| Borrowings | – | **(1,513,791)** | – | (4,470,773) |
| Financial liabilities at fair value | – | **(2,391,816)** | – | (4,213,063) |
| **Financial liabilities** | – | **(3,905,607)** | – | (8,683,836) |
| Trade and other payables | **(8,184,015)** | **(965,270)** | (7,286,227) | (1,250,949) |
| Current tax liability | – | **(19,490)** | – | – |
| | **(8,184,015)** | **(4,890,367)** | (7,286,227) | (9,934,785) |
| **Net current assets** | **44,344,999** | **45,885,773** | 44,221,898 | 40,410,551 |
| **Non-current liabilities** | | | | |
| Borrowings | – | **(20,000,000)** | – | (20,000,000) |
| Deferred tax liabilities | – | **(4,674,130)** | – | (4,372,967) |
| | – | **(24,674,130)** | – | (24,372,967) |
| **Net assets** | **44,344,999** | **21,211,643** | 44,221,898 | 16,037,584 |
| **Capital and reserves attributable to equity holders** | | | | |
| Share capital | **488,286** | **538,825** | 646,573 | 538,825 |
| **Reserves** | | | | |
| Share premium | – | **6,017** | – | 6,017 |
| Capital redemption reserve | – | **347,402** | – | 347,402 |
| Merger reserve | – | **3,564** | – | 3,564 |
| Retained earnings | **43,856,713** | **20,315,835** | 43,575,325 | 15,141,776 |
| **Total equity** | **44,344,999** | **21,211,643** | 44,221,898 | 16,037,584 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 24. OPERATING SEGMENTS *(continued)*

In accordance with IFRS 8, geographical information has been disclosed as follows:

**Geographical segments**
An analysis of the Group's investments held at 30 June by geographical area and the related investment income earned during the year to 30 June is noted below:

| | **Value of investments at 30 June 2014 £** | **Gross income to 30 June 2014 £** | Value of investments at 30 June 2013 £ | Gross income to 30 June 2013 £ |
|---|---|---|---|---|
| Africa | **931,366** | **7,713** | 913,002 | 20,204 |
| Asia | **2,405,573** | **46,565** | 2,556,558 | 71,889 |
| Australia & New Zealand | **6,442,248** | **39,724** | 7,459,813 | 323,479 |
| Europe | **548,364** | **19,158** | 286,692 | 35,950 |
| North America | **14,217,167** | **178,195** | 14,944,157 | 157,683 |
| United Kingdom | **67,338,689** | **1,556,708** | 63,092,187 | 1,407,199 |
| | **91,883,407** | **1,848,063** | 89,252,409 | 2,016,404 |

## OFFICERS AND ADVISERS

| El Oro Ltd (Guernsey) | El Oro and Exploration Company Limited (UK) |
|---|---|
| **DIRECTORS***<br>CRW Parish, M. A. (Oxon)<br>(Chairman)<br>RAR Evans<br>SB Kumaramangalam<br>RE Wade<br>JA Wild<br>* The Directors were all appointed on 9 December 2008. | **DIRECTORS**<br>CRW Parish, M. A. (Oxon)<br>(Chairman)<br>The Hon. Mrs. EC Parish (deceased 28 April 2014)<br>EW Houston<br>DRL Hunting<br>RE Wade<br>JA Wild |
| **REGISTERED OFFICE**<br>1 Le Truchot<br>St Peter Port<br>Guernsey<br>GY1 1WD | **REGISTERED OFFICE**<br>41 Cheval Place<br>London<br>SW7 1EW<br>Telephone 020 7581 2782<br>Facsimile 020 7589 0195 |
| **SECRETARY**<br>Dexion Capital (Guernsey) Limited<br>Contact: Chris Copperwaite | **SECRETARY**<br>S McKeane |

| REGISTRAR | SHAREHOLDER CORRESPONDENCE |
|---|---|
| Computershare Investor Services (Guernsey) Limited<br>3rd Floor<br>NatWest House<br>Le Truchot<br>St Peter Port<br>GY1 1WD | Computershare Investor Services (Guernsey) Limited<br>c/o Queensway House<br>Hilgrove Street<br>St Helier<br>JE1 1ES |

| INDEPENDENT AUDITORS | STOCKBROKER |
|---|---|
| PricewaterhouseCoopers CI LLP<br>Chartered Accountants<br>Royal Bank Place<br>1 Glategny Esplanade<br>St Peter Port<br>Guernsey GY1 4ND<br>Channel Islands | FinnCap Limited<br>60 New Broad Street<br>London<br>EC2M 1JJ |

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Company's FIFTH ANNUAL GENERAL MEETING and the ONE HUNDRED AND TENTH ANNUAL GENERAL MEETING OF THE EL ORO GROUP will be held on 20 November 2014 at 41 Cheval Place, London SW7 1EW at 12 noon for the following purposes:

**Ordinary resolutions:**

1. To receive the Directors' report and the consolidated financial statements for the year ended 30 June 2014.
2. To re-appoint PricewaterhouseCoopers CI LLP as Auditor of the Company, to hold office until the conclusion of the next General Meeting at which financial statements are laid before the Company and to authorise the Directors to fix their remuneration.
3. To authorise the payment of a final dividend of 3.7 pence for the year-ended 30 June 2014.
4. To authorise the Company generally and unconditionally to make market purchases within the meaning of Section 315 of the Companies (Guernsey) Law 2008, the authority for market acquisitions set forth in Article 4.7 of the Company's Articles of Incorporation be approved and restated on the basis that of its Ordinary Shares in the capital of the Company ("Shares") upon or subject to the following conditions:
   a) the maximum number of Shares hereby authorised to be purchased is 6,445,731;
   b) the maximum price at which Shares may be purchased shall be 5% above the average of the middle market quotations for the Shares as taken from the Channel Islands Stock Exchange Daily Official List for the five business days preceding the date of purchase and the minimum price shall be 5 pence per share, in both cases exclusive of expenses; and
   c) the authority to purchase conferred by this Resolution shall expire on the date falling eighteen months after the date of this resolution or 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 contract may be completed or executed wholly or partly after the expiration of this authority.

The Board recommends that Shareholders vote in favour of all resolutions.

**Registered Office**
1 Le Truchot
St Peter Port
Guernsey
GY1 1WD

By Order of the Board
Dexion Capital (Guernsey) Limited
Company Secretary

18 September 2014

**Notes**

1. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a Member of the Company. A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude Members from attending or voting at the Meeting, if they so wish. A Member may appoint more than one proxy in relation to a Meeting, provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by them. A Member may appoint more than one proxy provided each proxy is appointed to exercise voting rights in respect of a different Share or Shares held by them.
2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of attorney) must be deposited at the office of the Company's Registrar, Computershare Investor Services (Guernsey) Limited, c/o The Pavilion, Bridgwater Road, Bristol, BS99 6ZY not less than 48 hours before the time for holding the Meeting.
3. CREST members may utilise the CREST proxy appointment service by following the directions set out on the form of proxy. Completion and return of the form of proxy will not prevent a Shareholder from subsequently attending the meeting and voting in person if they choose to.
4. A Shareholder must first have their name entered on the register of Members not later than 4.30 p.m. on 18 November 2014.

   Changes to entries in that register after that time shall be disregarded in determining the rights of a Shareholder to attend and vote at such meeting.

## FORM OF PROXY

**EL ORO Ltd (the "Company")**

(Registered in Guernsey no. 49778)

**Proxy for the 2014 Annual General Meeting**
**Before completing this form, please read the explanatory notes below.**

I/We (PLEASE USE BLOCK LETTERS) ______________________________

of ______________________________

a member of El Oro Ltd (the "Company") HEREBY APPOINT the Chairman of the Meeting or (see Note 3) ______________________________

______________________________

To be my/our proxy at the Annual General Meeting of the Company to be held on 20 November 2014 at 12 noon and at any adjournment thereof, and to attend, speak and vote for me/us and in my/our name(s) upon all resolutions before such meeting:

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an "X". If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

| | FOR | AGAINST | ABSTAIN | | FOR | AGAINST | ABSTAIN |
|---|---|---|---|---|---|---|---|
| Resolution 1 | ☐ | ☐ | ☐ | Resolution 3 | ☐ | ☐ | ☐ |
| Resolution 2 | ☐ | ☐ | ☐ | Resolution 4 | ☐ | ☐ | ☐ |

As Witness my/our hand(s) this ______ day of ______________________________

Signature(s) ______________________________

**Notes to the Proxy Form:**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the Meeting, insert their full name in the space provided. If you sign and return this proxy form with no name inserted in the space provided, the Chairman of the Meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Registrars, Computershare Investor Services (Guernsey) Limited, c/o The Pavilion, Bridgwater Road, Bristol, BS99 6ZY.
5. To direct your proxy how to vote on the resolutions, mark the appropriate box with an "X". If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, the form must be:
   - completed and signed;
   - sent or delivered to the Registrars, Computershare Investor Services (Guernsey) Limited, c/o The Pavilion, Bridgwater Road, Bristol, BS99 6ZY; and
   - received by the Registrars, Computershare Investor Services (Guernsey) Limited no later than 48 hours before the time appointed for the meeting.
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. For details of how to change your proxy instructions or revoke your proxy appointment, see the notes to the notice of the meeting.

Please post your completed Form of Proxy in the enclosed reply-paid envelope.