EL ORO LTD

Annual Report
Audited Financial Statements

for the year ended 30 June 2016

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. 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 2016	30 June 2015
Net asset value per share	**79.7 pence**	80.5 pence
Dividends per Share paid to external Shareholders during the year ended	**2.405 pence**	3.7 pence
Total dividends paid to external Shareholders during the year ended	**£1,422,709**	£2,369,380

The Group's net asset value per Share ("NAV") decreased over the year by 1.0% while the FTSE All Share Index was down by 7.3% and the stock price was unchanged. These figures are shown over 3, 4 and 5 years in the following table, demonstrating performance against benchmark over the longer term.

	FTSE All Share		Share price		NAV	
	2016	2015	2016	2015	2016	2015
Financial year to 30 June	-7.3%	-0.8%	0.0%	-24.7%	-1.0%	-20.2%
3 years	14.5%	15.3%	-48.1%	-47.2%	-32.6%	-47.0%
4 years	6.9%	40.4%	-47.2%	-22.3%	-47.5%	-26.0%
5 years	30.1%	64.4%	-22.3%	-12.0%	-26.7%	0.5%

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. 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, excluding 260,045 shares held in treasury (2015: 260,045), is 63,455,990 (2015: 64,397,295).

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 17 November 2016 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 loss before tax for the year-ended 30 June 2016 was £615,636 (loss before tax for the year-ended 30 June 2015 was £11,338,951). The Group's net assets at 30 June 2016 were £50,598,883 or 79.7 pence per share (30 June 2015: £51,827,562 or 80.5 pence per share).

The Board has resolved to propose a final dividend of 2.405 pence per share for the year-ended 30 June 2016 (year ended 30 June 2015: 2.405 pence per share) on 28 November 2016 to Members registered on the books of the Company at the close of business on 28 October 2016.

The ascent from the slough of despond seen around the start of 2016 has been especially dramatic in the mining sector, with the FTSE 350 Mining Index appreciating 52% since 1 January and the AIM Basic Resources Index up 48% since the January lows. Although this puts us back more or less where we started in June 2015, the expectation that the mining market, and gold, were yesterday's ideas has been rebuffed, even if temporarily.

It is heartening to hear in recent weeks some of the sagest investment minds saying that we are moving into uncharted waters, and therefore increasing their exposure to gold. Whilst marking time is not a seductive investment philosophy, we do believe that the reduction in debt achieved over the last year, and a fall in our exposure to Swaps, whilst increasing our exposure to larger-capitalisation stocks, has provided a much more secure base from which to approach the challenges ahead.

The fact that the entire political landscape has altered so dramatically over the past few months emphasizes yet again that assets providing security in a challenging and 'disruptive' world are essential for a secure portfolio: we believe the mix of old-economy stocks, in continuing demand, such as Young's and Halstead, backed up by the gold exposure from our miners, does answer some of those challenges, despite the shortcomings of the metals during the mining-slump of the past few years.

Looking at a few of our individual stocks, Hurricane hit a low around the 9p level in the spring, but has since bounced above the 30p mark, as two funds took advantage of its depressed level, sensing the opportunity in its stranded oil West Shetlands deposit. Its drilling result announced on the 9 September has validated the optimism of its chief Geologist and seen a huge rise in its share price, as good as the Pantheon Resources results were disappointing. As always, fortune favours the brave, and we would expect the oil reserve to grow in size in the months to come.

We were pleased to welcome Dominic Scriven OBE and his team's Vietnam Enterprise Investment Fund to a London listing in early July, and are grateful for his dedicated stewardship of a significant holding for us, opening doors successfully to one of the more populous and promising Asian markets.

Shanta Gold has also recently revealed greater reserves than previously assessed, and continues its recovery, at its various projects in Tanzania. Troy has recovered from its mid-winter lows, but the volume of rain in Guyana has restricted its ability to meet its production targets, and it has once again made recourse to capital raising in recent weeks. Whilst the prospect of losing the services of the ever-green Ken Nilsson, well into his seventh decade, does not fill us with delight, we acknowledge his seminal contribution to Troy's prosperity over the past 20 years and are convinced that his legacy at Karouni, given a favourable gold price, will eventually reward patient shareholders, despite further fund raising.

CHAIRMAN'S STATEMENT

The ride at Pantheon Resources has certainly been anything but dull in recent months even if hopes for a further extension to its Texan oil deposits were recently dashed, along with the share price, by drilling complications. Whilst the shorts might have the upper hand for now, we will wait for a recovery to emerge. That has thus far been the case at Cadiz, the water project in the Mojave Desert in California that has been the subject of a sustained shorting attack. It now appears to have been exacerbated by collusion with Government authorities, and the project, able to bring water to upwards of 100,000 people in Southern California, might at last see the light of day and save water that is at present evaporating into the desert.

Whilst such projects, if finally greeted by fortune's smile, may well enrich shareholders, we are mindful of the request by some shareholders for larger cap stocks: we have been rewarded in this respect by our investment in Newmont Mining one of the world's major gold mining companies, and also Freeport McMoRan, one of the foremost copper Miners in the world, producing a considerable quantity of gold from its Grasberg concession in Indonesia, even if a question mark does hang over its ability to renew it. Barring another calamitous slump in the Chinese or American economy, the world demand for copper should enhance the share prices of such companies well beyond the low levels reached earlier in the year.

Along with Shell and British American Tobacco, there is considerable comfort to be had from bolstering the portfolio with these larger companies, even if growth will tend to come from the successful selection of smaller companies.

Investors are increasingly seeking higher-yielding stocks, often via the medium of ETFs and as a consequence their valuations are rising to perhaps unsustainable levels, whilst those beneath the radar of many brokers' lists continue to present compelling value. Our positions in Young and Co and James Halstead, are examples of small companies grown large by astute management in a favourable area, and continue to impress with the consistency of their performances and growth in dividends, even as we now welcome Patrick Dardis at Young and Co., in succession to the admirable Steven Goodyear, and unflappable Peter Whitehead.

PZ Cussons continues its recovery from what was deemed the morass of Nigeria's economic and political woes, abetted by its dominant position in distribution in that extensive market; Ocean Wilsons is also thriving despite the vagaries of the Brazilian economy.

MP Evans, having paid a special dividend with the proceeds of the sale of its Australian cattle station, stands to benefit from an increase in the palm oil price, as does REA, after enduring a period of impairment from low yields and low prices. Select Harvests is also beginning to see a recovery in the almond price, and tiny Fulcrum, providing electricity services to several major entities, has risen dramatically in the past year.

As some shareholders had expressed concern at the investment performance of the Company, the widening discount to net asset value and the lack of liquidity in the shares, the Board consulted with some of the larger shareholders who reemphasised these concerns. In the light of this the Board is proposing and will support a special resolution at the forthcoming AGM to alter the Articles of Incorporation to provide that the Company will be put into voluntary liquidation at the AGM in November 2018 unless a Special Resolution is passed to prevent such liquidation. The Board considers that this action would give shareholders who wish to exit the Company at closer to the net asset value the opportunity to do so and will enable the Company to further reduce or eliminate its debt and improve its investment performance in the intervening period. Further details are given in the circular accompanying the notice for the AGM.

CHAIRMAN'S STATEMENT

Amidst tremendous global uncertainty, of the triumvirate that ran the Britain's Economy, only one now survives, hopefully for not much longer; the former Chancellor's predictions of penury bordered on the treasonable, not to mention with hindsight, laughable. This must be added to his deplorable record in making the tax system fiendishly complex, primarily for political reasons, and putting paid to the London property market, Buy to let and imposing the egregious Living Wage.

His fellow conspirators included the execrable Geldof, pouring obscene scorn on Britain's benighted fishermen, and joyless Juncker, along with the effortlessly disloyal Obama and highly questionable Lagarde: All these luminaries replete with their diatribes of doom have been shown to be persistently and fundamentally wrong: There is simply no sound reason why Janet Yellen and the whole approach to quantitative easing, so unsuccessful in Japan and Europe, will have any lasting beneficial effect on any economy, other than the price of certain assets, and the job security of various bankers, if carried on to Eternity.

What we do know is that the pension and savings systems of most of the Western world have over the last 10 years been brought to the borders of insolvency by the imposition of microscopic rates of return. More of the same seems currently the only solution on offer.

The recent collapse of the Hanjin Shipping Line, whilst presaging a rise in freight rates, has highlighted the grotesque overcapacity in the container market, and also that of port capacity. The precipitous fall in the share price of Deutsche Bank, once perceived as the giant of the German banking fraternity, can but send a shiver down the spine of anyone insouciant enough to believe in the supremacy of the German banking system: so soon after imposing impossibly onerous terms on that of Greece. It is ironic to see the magnanimous American regulators imposing a $14bn fine on Deutsche Bank for infractions in the sale of mortgage securities, a genre almost entirely the creation of the US investment banks. These are not encouraging portents for world trade, especially given a harsher political climate towards treaties that seem to favour a tiny section of the electorate.

What a marvelous change to see Mrs. May confounding the perceived wisdom of 50 years by allowing the creation of new Grammar Schools. Sadly she has not scrapped the deeply dubious Hinkley Point but perhaps may bite the bullet and dispose of HS2 and reverse the closure of our remaining Coal-fired Power stations whilst accelerating the building of several more runways. Boris's Cycle routes within London will remain an obstruction to the free flow of traffic, and hardly enhances the well- being of the cyclist. The apparent abandonment of their Vocational calling amongst some junior doctors poses an existential threat to health care and the NHS.

Faced with the prospect of a Fool or a Knave, as some have described the choice facing the United States electorate, having some protection against possible rises in interest rates, along with gold, does seem to make a degree of sense. We could well be entering another era of favourable prices for Precious metals, where even the despised Platinum shares are making a comeback.

We are therefore continuing our search for well-financed projects with substantial gold reserves, along with other metals such as lithium as we move further into the era of electric vehicles and the storage of electricity. We will back these up with value positions where there is a significant discount to assets, along with companies possessing an especial edge in technology or licences, such as Renishaw. We have achieved a significant reduction in debt since last November, even if with hindsight more might have been made of the compelling prices on offer early in January and again immediately after the 23 June - Independence Day. We have also reduced management costs, albeit

CHAIRMAN'S STATEMENT

partly with the departure to the Antipodes of Steven McKeane, doyen of Finance chiefs, and a huge asset to the Company and support to myself for the previous 9 years. He has left an impressive legacy for Una Ni Dhonaill to follow, and we wish her well in that challenge. Irrepressible Abbie celebrated her half-Century in style and remains the beating heart of El Oro, along with recently arrived Nancy and Nick continuing his scrutiny of the settlements. Chris Copperwaite, unflustered by several changes of nomenclature, controls the Guernsey side with huge competence and good grace.

The celebrations of Her Majesty's 90th Birthday, followed by the warm glow of Rio, and the dominance of the British Eights, Four and Women's Pair will take time to fade. Along with so many other sporting successes this summer they are tributes to outstanding individuals and dedicated and hugely competent management and coaching teams. We are enormously reassured to see Britain achieve such success, and believe that given goodwill and equivalent perseverance, the new leadership of Britain under Mrs. May can accomplish something similar. We are reminded of one recent gold Medalist who after a previously undefeated career only won bronze in London, yet overturned that a month ago in Rio.

We believe that despite the initial antagonism of many of the young and bright of today, Britain's future as an independent Nation, free of the shackles of a Socialist, dictatorial and undemocratic union will be bright.

As we emerge from the slump in both mining and oil shares and the tremendous pressures placed upon those trying to sustain their business we are reminded of Psalm CXXIV v 7,8:

Blessed be the Lord, who hath not given us as a prey to their teeth.
Our soul is escaped as a bird out of the snare of the fowlers; the snare is broken and we are escaped.
Our help is in the name of the Lord, who made heaven and earth.

It would be remiss not to acknowledge and mark the passing of several friends and luminaries who have enriched my life and that of others over many years: Geordie Kidston, who did do much to emulate Teddy Butler-Henderson with his own observations and eclectic search for information from hither and thither; Peter Bennett, whose trenchant and nearly always correct views were presented without malice or respect for convention, but always made you stop and think (most recently in December recommending gold shares); Hugh Mansel who was discrete and knowledgeable; and most recently Colin Orr-Ewing, the brains behind Bacanora, the Lithium project in Mexico which he planned to provide for his Pension. His humour and infectious enthusiasm will be missed by many, so soon after saying farewell to his wife Fleur. He enhanced the lives of so many, and represented the very best of the English Gentleman wherever he went.

It remains for me to thank my fellow directors for their calmness and counsel in the face of conflicting opinions and challenging conditions, and look forward to working together to meet the opportunities at hand in a rapidly changing world.

Robin Woodbine Parish
30 September 2016

INVESTMENTS WITH A FAIR VALUE EXPOSURE GREATER THAN £500,000 based upon fair values at 30 June 2016

	Investment	Local Currency	Fair Value GBP	Fair Value Cumulative GBP	% of financial assets
1	Young & Co.	GBP	6,658,480	6,658,480	
2	James Halstead	GBP	2,859,500	9,517,980	
3	Fuller, Smith & Turner	GBP	2,161,650	11,679,630	
4	Kuala Lumpur Kepong	MYR	1,878,778	13,558,408	
5	Troy Resources	AUD	1,688,402	15,246,810	
6	Dee Valley Group	GBP	1,645,167	16,891,977	
7	Shepherd Neame	GBP	1,629,810	18,521,787	
8	Pantheon Resources	GBP	1,615,050	20,136,837	
9	M P Evans Group	GBP	1,604,519	21,741,356	
10	Amerisur Resources	GBP	1,155,066	22,896,422	**34.4%**
11	PZ Cussons	GBP	1,018,040	23,914,462	
12	Vietnam Funds	USD	958,698	24,873,160	
13	Hampden	GBP	943,350	25,816,510	
14	British American Tobacco	GBP	920,075	26,736,585	
15	REA Holdings	USD	903,207	27,639,792	
16	Bacanora Minerals	GBP	892,400	28,532,192	
17	Goodwin	GBP	878,850	29,411,042	
18	Shanta Gold	USD	741,255	30,152,297	
19	Jersey Electricity	GBP	731,000	30,883,297	
20	Hurricane Energy	GBP	714,000	31,597,297	**47.4%**
21	Ceravision	GBP	692,573	32,289,870	
22	Phoenix Group	GBP	680,850	32,970,720	
23	Archipelago Metals	USD	662,939	33,633,659	
24	Endeavour Mining	CAN	661,286	34,294,945	
25	Hill & Smith Holdings	GBP	620,550	34,915,495	
26	Herald Investment Funds	GBP	617,991	35,533,486	
27	Newmont Mining	USD	589,539	36,123,025	
28	Royal Dutch Shell	GBP	574,750	36,697,775	
29	McMullen & Sons	GBP	568,750	37,266,525	
30	Upham Group	GBP	568,050	37,834,575	56.8%
31	Exxon Mobil Corp.	USD	565,149	38,399,724	
32	Latham (James)	GBP	554,097	38,953,821	
33	Gold Fields	ZAR	547,664	39,501,485	
34	Freeport McMoran	USD	545,749	40,047,234	
35	Mountview Estates	GBP	500,500	40,547,734	60.9%
			Investments over £500,000	40,547,734	60.9%
			Other investments	26,064,584	39.1%
			Total investments	**66,612,318**	**100.0%**

DIRECTORS' REPORT

The Directors present the Annual Report and the Group consolidated financial statements for the year ended 30 June 2016.

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 13 and 14. The Chairman's statement, which begins on page 4 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 2016 are listed on page 8. 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, 2015 issued by the Guernsey Financial Services Commission (the "Commission"). 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.

Subsequent to the year end the Directors have resolved to table a special resolution at the next Annual General Meeting of the Company (due to take place on 17 November 2016) to amend the Company's Articles of Incorporation to provide that the Company be placed into voluntary liquidation, unless the shareholders of the Company pass a special resolution at the 2018 Annual General Meeting that the Company may continue. The discussions have led to a revision in the loan maturity and interest swap repayment dates, see note 25 for further details.

Results and dividend
The Group's profit for the financial year was £271,177 (2015 loss: £10,801,125).

For the year ended 30 June 2016, a final dividend of 2.405 pence per share is proposed for payment on 28 November 2016 to Shareholders registered in the books of the Company at the close of business on 28 October 2016 (2015: 2.405 pence per share). The Board will review performance to 31 December and consider the payment of an interim dividend prior to the end of the 2016-2017 tax year.

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 24 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 39, 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 2016 beneficial No. of Shares	**30 June 2016 non-beneficial No. of Shares**	30 June 2015 beneficial No. of Shares	30 June 2015 non-beneficial No. of Shares
CRW Parish	6,819,445	6,693,759	6,794,775	9,777,091
SB Kumaramangalam	6,388,565	3,314,407	6,393,368	3,314,407
RE Wade	513,150	–	513,150	–
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 non-beneficial interests in the shares of the Company. The substantial Shareholders interests are also detailed below. There were no changes to the Directors interests between the year ended 30 June 2016 and the date of this report. Of the shares in issue 33,192,975 or 52.26% (2015: 33,210,305 or 51.6%) are not in public hands at the year ended 30 June 2016.

DIRECTORS' REPORT *(continued)*

No Director had a beneficial interest other than those mentioned in note 23, 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 24.

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
JM Finn Nominees Limited	27.95	17,809,999	–	17,809,999
Mrs E Houston	15.64	9,966,711	5,910,325	4,056,386
Rulegale Nominees Limited	15.36	9,786,923	–	9,786,923
Mrs SW Kumaramangalam	15.23	9,702,972	6,388,565	3,314,407
Mr G & Mrs CW Zegos	12.02	7,656,042	4,272.190	3,383,852
Mr WB & Mrs P Fraser	8.69	5,536,605	45,090	5,491,515
CIPM Nominees Limited	6.67	4,255,335	–	4,255,335
Nortrust Nominees Limited	3.76	2,400,000	–	2,400,000

Many of those listed above 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 four non-executive Directors:
Messrs. RAR Evans, 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 2016:

	Fees £	Salary & other £	Performance Bonus £	Benefits in kind £	Total £
Executive					
CRW Parish (Chairman)*	–	263,237	–	1,189	264,426
Non-executive					
SB Kumaramangalam	9,600	–	–	–	9,600
RAR Evans	18,000	–	–	–	18,000
RE Wade*	27,478	–	–	–	27,478
JA Wild*	32,328	–	–	–	32,328
Total	87,406	263,237	–	1,189	351,832

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

DIRECTORS' REPORT *(continued)*

Directors' emoluments

The following emoluments were paid to Directors of the Group who served during the year ended 30 June 2015:

	Fees £	Salary & other £	Performance Bonus £	Benefits in kind £	Total £
Executive					
CRW Parish (Chairman)*	–	267,162	98,000 **	2,212	367,374
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	267,162	98,000	2,212	456,396

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

** This was paid in the year to 30 June 2015 but related to the year 30 June 2014.

The Chairman's emoluments for the year ended 30 June 2016 are detailed in the Directors' 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 £437,733. The Remuneration Committee recommended, and the Directors agreed to a performance bonus of £nil (2015: £nil) for the year ended 30 June 2016. No Director waived emoluments for the year ended 30 June 2016.

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
RAR Evans
Director
30 September 2016

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 30 September 2016.

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
2015	(11,338,951)	447,145	51,827,562
2016	(615,636)	437,733	50,598,883

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.

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	£44,225,796
Taxation	£19,593,502
	£63,819,298

[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 2016 was 55.0 pence and at 30 June 2015 was 55.0 pence (which with 1 for 2 bonus in 1961 equals 39.2 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 statement of financial position as of 30 June 2016 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow 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 2016, 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 is as set out on the contents page.

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
2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year to 30 June 2016

	Notes	**30 June 2016** **£**	30 June 2015 £
Revenue	2 a	**1,536,987**	1,594,264
Net gains / (losses) on investments	2 b	**467,584**	(10,106,417)
Total investment income / (loss)		**2,004,571**	(8,512,153)
Expenses	3	**(1,436,220)**	(1,558,728)
Profit / (loss) before finance costs and taxation		**568,351**	(10,070,881)
Finance costs	3	**(1,183,987)**	(1,268,070)
Loss before taxation		**(615,636)**	(11,338,951)
Taxation	5	**886,813**	537,826
Profit / (loss) for the financial year	6	**271,177**	(10,801,125)
Earnings / (losses) per share (basic)	6	**0.4p**	(16.8p)

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 STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Notes	**30 June 2016** **£**	30 June 2015 £
Opening capital and reserves attributable to equity holders		**51,827,562**	65,017,817
Total comprehensive income and profit / (loss) for the financial year		**271,177**	(10,801,125)
Decrease of share capital on cancellation of shares		**(9,413)**	–
Increase of capital redemption reserve on cancellation of shares		**9,413**	–
Decrease of retained earnings on cancellation of shares		**(151,342)**	–
Decrease of share capital to Treasury account		**–**	(41,141)
Dividends paid (net)	4	**(1,348,514)**	(2,347,989)
Closing capital and reserves attributable to equity holders	20	**50,598,883**	51,827,562

The accompanying notes on pages 19 to 38 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Notes	**30 June 2016 £**	30 June 2015 £
Non-current assets			
Property, plant and equipment	7	**609,216**	1,110,747
Investment in artwork	8	**500,000**	–
Intangible asset	9	**91,666**	–
		1,200,882	1,110,747
Current assets			
Trade and other receivables	11	**364,710**	1,806,755
Investments held at fair value through profit or loss	12	**66,612,318**	70,453,855
Cash and cash equivalents	17	**693,943**	6,350,739
Total current assets		**67,670,971**	78,611,349
Current liabilities			
Borrowings	13	–	5,107,691
Trade and other payables	14	**496,886**	559,872
Financial liabilities at fair value through profit or loss	13	**4,242,531**	3,409,627
Current tax liability	15	**148,603**	305,642
Total current liabilities		**4,888,020**	9,382,832
Net current assets		**62,782,951**	69,228,517
Non-current liabilities			
Borrowings	13	**11,000,000**	15,000,000
Deferred tax liabilities	16	**2,384,950**	3,511,702
Total non-current liabilities		**13,384,950**	18,511,702
Net assets		**50,598,883**	51,827,562
Capital and reserves attributable to equity holders			
Share capital	19	**437,732**	447,145
Reserves	20		
Share premium		**6,017**	6,017
Capital redemption reserve		**356,815**	347,402
Merger reserve		**3,564**	3,564
Retained earnings		**49,794,755**	51,023,434
Total equity		**50,598,883**	51,827,562
Net asset value per share	21	**79.7p**	80.5p

The Board of Directors approved and authorised the Group's financial statements for issue on 30 September 2016.

Signed on behalf of the Board by:

CRW Parish
Chairman

RAR Evans
Director

The accompanying notes on pages 19 to 38 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30 June 2016

	Notes	**30 June 2016** **£**	30 June 2015 £
Operating activities			
Net loss before tax		**(615,636)**	(11,338,951)
Adjustments for:			
Depreciation		**1,531**	35,437
Foreign exchange losses		**175,981**	1,081,690
Net unrealised losses on fair value investments through the profit or loss		**794,922**	5,225,469
Finance costs (includes amortisation of capitalised loan note fee)		**1,183,987**	1,268,070
Cash flow from operations before changes in working capital		**1,540,785**	(3,728,285)
Movement in financial assets at fair value through the profit or loss		**4,870,655**	16,087,375
Decrease / (increase) in trade and other receivables		**1,442,045**	(460,166)
Decrease in trade and other payables		**(7,673)**	(487,825)
Cash flow from operations		**7,845,812**	11,411,099
Income taxes paid		**(386,106)**	(251,674)
Cash flow from operating activities		**7,459,706**	11,159,425
Investing activities			
Purchase of property, plant and equipment		–	(9,049)
Cash flow used in investing activities		–	(9,049)
Financing activities			
Interest paid		**(1,239,300)**	(1,278,843)
Net dividends paid to Shareholders	4	**(1,348,514)**	(2,347,989)
Repayment of borrowings	13	**(9,000,000)**	–
Repayment of interest rate swap	24	**(1,170,000)**	–
Purchase of own shares subsequently cancelled	20	**(151,341)**	–
Loan note fee paid	9	**(150,000)**	–
Cash flow used in financing activities		**(13,059,155)**	(3,626,832)
Net increase in cash and cash equivalents		**(5,599,449)**	7,523,544
Cash and cash equivalents - opening		**6,243,048**	(1,205,408)
Effect of foreign exchange rate changes		**50,344**	(75,088)
Cash and cash equivalents at 30 June	17	**693,943**	6,243,048

The accompanying notes on pages 19 to 38 form an integral part of the financial statements.

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 Company qualifies as an Investment Entity in accordance with IFRS 10 and therefore carries its investments at fair value through the profit and loss, with the exception of the Company's wholly owned UK subsidiary investment companies (which provides investment related services to the Company) disclosed in note 10, which the Company consolidates on the basis of control.

All subsidiaries were wholly owned throughout the financial year. Inter-company balances, 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 statement of financial position is based on the quoted bid price at the statement of financial position 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 traded 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 (losses)/gains 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 13 and note 24.

1.4 Other 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 statement of financial position. 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.

1.6 Expenses

All expenses and finance costs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 statement of financial position 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 statement of financial position 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 Functional and 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 statement of financial position 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.

1.12 Investment in artwork

Investment in artwork is accounted for as an investment property in accordance with IAS 40. The investment is initially recognised at the transaction price and is subsequently measured at cost less impairment. The artwork is not depreciated and is reviewed for impairment on an annual basis.

1.13 Intangible assets

Loan arrangement fees paid in relation to the Company's long term borrowings are capitalised and accounted for in accordance with IAS 38. They are initially recognised at cost and are amortised on a straight line basis as part of the loan's effective interest rate until the loan's maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

1.14 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.

1.15 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 (the 'Investment Manager') in deciding how to allocate resources and in assessing performance. The Investment Manager 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 26. 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 which 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.

1.16 Critical accounting 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 17.2% of net assets (2015 = 13.4% of net assets).

The fair value disclosed for the investment in artwork in note 8 is based on the value the artwork is insured for, which the directors believe to be representative of its fair value as at the balance sheet date.

1.17 Standards, amendments and interpretations

Relevant and effective in future financial year

Amendment to IAS 1, Presentation of financial statements on the disclosure initiative (effective 1 January 2016).
Amendment to IAS 27, Separate financial statements (effective 1 January 2016).
Annual improvements 2014 (effective 1 January 2016).
Amendment to IAS 1, Presentation of financial statements (effective 1 January 2016).
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception (effective 1 January 2016).
IFRS 16, Leases (effective 1 January 2016).
IAS Amendments to IAS 7, Statement of cashflows on disclosure initiative (effective 1 January 2017).
Amendment to IFRS 9, Financial instruments (effective 1 January 2018).
IFRS 15, Revenue from contracts with customers and associated amendments to various other standards (effective 1 January 2018).

The impact assessment of these standards, amendments and interpretations is ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2. INVESTMENT INCOME

	30 June 2016	30 June 2015
	£	£
a. **Revenue**		
Dividends from investments	**1,520,794**	1,586,098
Other income	**16,193**	8,166
	1,536,987	1,594,264

	30 June 2016	30 June 2015
	£	£
b. **Net (losses) / gains on investments**		
Net unrealised losses on fair value of investments through the profit or loss	**(794,922)**	(5,225,469)
Net realised gains / (losses) on fair value of investments through the profit and loss	**1,438,487**	(3,799,258)
Net foreign exchange losses	**(175,981)**	(1,081,690)
Net gains / (losses) on investments	**467,584**	(10,106,417)

The 'Net unrealised (losses) / gains on fair value investments through the profit or loss' has a foreign exchange component that was positive £1,341,910 during the financial year (2015: negative £1,864,579).

3. EXPENSES AND FINANCE COSTS

Expenses include the following items:

	30 June 2016	30 June 2015
	£	£
Employment costs		
Wages and Salaries	**750,836**	811,785
Reversal of overaccrual of bonus in previous period	–	(97,145)
Social Security costs	**53,911**	84,075
	804,747	798,715
Benefits in kind included within employment costs	**1,189**	2,212
Custodial costs	**38,246**	81,148
Administration costs	**102,165**	141,373

	30 June 2016	30 June 2015
Monthly average staff numbers (including executive Director)		
Investing / research	**1**	2
Administration	**4**	4
	5	6

During the year two members of staff agreed to work on a reduced hours (and reduced cost) basis and a further two agreed to a reduction in salary.
Full details of the fees and emoluments for each Director are provided in the Directors' report on pages 10 and 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. EXPENSES AND FINANCE COSTS *(continued)*

	30 June 2016 **£**	30 June 2015 £
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial services	**45,416**	44,300
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**39,254**	30,829
	84,670	75,129

Finance costs are comprised of the following items:

	30 June 2016 **£**	30 June 2015 £
Interest payable on bank loans (note 13)	**1,124,555**	1,263,664
Amortisation of capitalised loan note fee (note 9)	**58,333**	–
Interest payable to brokers	**1,099**	4,406
	1,183,987	1,268,070

4. DIVIDENDS PAID

	Paid during year to	
	30 June 2016 **£**	30 June 2015 £
Final dividend of 2.405 pence (2015: 3.7 pence) paid per ordinary Share	**1,532,827**	2,369,380
Dividends unclaimed after 12 years	**(184,313)**	(21,391)
Net dividends	**1,348,514**	2,347,989

Dividends paid and proposed
For the year ended 30 June 2016 the Directors propose a dividend of 2.405 pence per Share totalling £1,526,116 (2015: Proposed and paid a dividend of 2.405 pence per Share totalling £1,548,755).

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 £1,200.

5.2 Foreign tax – United Kingdom

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

	30 June 2016 **£**	30 June 2015 £
Analysis of tax charge		
Current tax		
UK corporation tax on profits / (losses) for the year	**238,174**	612,642
Adjustment in respect of prior year	**(8,214)**	1,946
Overseas tax charge	**9,979**	10,014
Total current tax	**239,939**	624,602
Deferred tax		
Origination and reversal of timing differences	**(775,582)**	(1,162,428)
Effect of tax rate changes on opening balances	**(351,170)**	–
Total deferred tax	**(1,126,752)**	(1,162,428)
Tax on (profit) / losses from ordinary activities	**(886,813)**	(537,826)

Factors affecting tax charge

The tax assessed is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.75%).

	30 June 2016 **£**	30 June 2015 £
The differences are explained below		
Loss on ordinary activities before tax	**(615,636)**	(11,338,951)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.75%)	**(123,127)**	(2,352,909)
Effects of		
Expenses not deductible for tax	**57,519**	41,792
Income not subject to tax	**(437,360)**	1,716,798
Tax rate differences	**(375,631)**	41,769
Depreciation in excess of capital allowances	–	12,778
Adjustments in respect of prior year	**(8,214)**	1,946
Total tax charge for the year	**(886,813)**	(537,826)

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.

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 has dropped by a further 1% to a rate of 20% with effect from 1 April 2015.

Deferred tax balances have been remeasured to 20%. This was the rate enacted at the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. EARNINGS PER SHARE (BASIC/DILUTED)

	30 June 2016	30 June 2015
	£	£
Profit / (loss) after tax	**271,177**	(10,801,125)
Weighted average number of shares in basic EPS	**63,455,990**	64,397,295
Earnings / (losses) per share (basic/diluted)	**0.4p**	(16.8p)

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold property	**Fixtures, fittings, paintings and computer equipment**	**Total**
	£	**£**	
At 1 July 2014			
At cost	745,503	652,868	1,398,371
Accumulated depreciation	(156,199)	(105,037)	261,236
Net book value	**589,304**	**547,831**	**1,137,135**
Year ended 30 June 2015			
Opening net book value	589,304	547,831	1,137,135
Purchases during the year	–	9,049	9,049
Depreciation for year	(14,884)	(20,553)	(35,437)
Closing net book value	574,420	536,327	1,110,747
Year ended 30 June 2015			
At cost	745,503	661,917	1,407,420
Accumulated depreciation	(171,083)	(125,590)	(296,673)
Net book value	**574,420**	**536,327**	**1,110,747**
Year ended 30 June 2016			
Opening net book value	574,420	536,327	1,110,747
Reclassification of painting to investment property (see note 8)	–	(500,000)	(500,000)
Disposals at cost	–	(2,714)	(2,714)
Depreciation on disposals	–	2,714	2,714
Depreciation for year	(15,018)	13,487	(1,531)
Closing net book value	559,402	49,814	609,216
At 30 June 2016			
At cost	745,503	159,203	904,706
Accumulated depreciation	(186,101)	(109,939)	(295,490)
Net book value	559,402	49,814	609,216

Accumulated depreciation of £20,000 relating to the painting reclassified from property, plant and equipment to investment property (see note 8) was written back during the year resulting in the positive depreciation charge above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. INVESTMENT IN ARTWORK

During the year the Directors reviewed the assets comprising property, plant and equipment and determined that a painting acquired by the company in April 2013 for £500,000 was better described as a long term investment and reclassified it accordingly. In accordance with note 1.12 it is being recognised in the accounts at cost less impairment (£500,000). The Directors consider its fair value at 30 June 2016 to be £780,000 (see note 1.16).

9. INTANGIBLE ASSET

During the year the loan borrowed from Lloyds bank was refinanced as described in note 13. Loan arrangement fees of £150,000 were incurred. These fees have been capitalised as an intangible asset and are being amortised over the life of the loan on a straight line basis as part of the loan's effective interest rate until the loan's maturity.

10. 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 2016 and 30 June 2015. Details of holdings etc. as at 30 June 2016 and 30 June 2015 respectively are given below:

As at **30 June 2016**	**Number of shares**	**Nominal value**	**Net assets £'000**	**Profit / (loss) before tax £'000**	**Book value £**
Investment companies					
El Oro and Exploration Company Limited	10,776,501	ord. 5p shares	7,687	(3,211)	538,825
Investigations and Management Limited	5,000	ord. £1.00 shares	634	338	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

As at **30 June 2015**	**Number of shares**	**Nominal value**	**Net assets £'000**	**Profit / (loss) before tax £'000**	**Book value £**
Investment companies					
El Oro and Exploration Company Limited	10,776,501	ord. 5p shares	16,928	(3,369)	538,825
Investigations and Management Limited	5,000	ord. £1.00 shares	355	331	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

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 £	30 June 2015 £
Trade receivables - amounts due from brokers	**59,240**	1,321,560
Other receivables	**305,470**	485,195
	364,710	1,806,755

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

In accordance with IFRS 13 the Group 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 Group are explained in note 1.3.

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

	30 June 2016	30 June 2015
	£	£
Level 1 - quoted prices (unadjusted)	**53,619,654**	56,240,678
Level 2 - observable price inputs	**2,692,556**	2,391,645
Level 3 - unobservable price inputs	**10,300,108**	11,821,532
	66,612,318	70,453,855

	30 June 2016	30 June 2015
Reconciliation of fair value measurements in level 3	**£**	£
Opening balance	**11,821,532**	12,335,100
Acquisitions	**2,065,505**	3,409,959
Disposal receipts	**(2,220,133)**	(7,113,069)
Transfers in to / (out of) Level 3	**1,029,398**	5,059,483
Total (losses) / gains included in the Consolidated Statement of Comprehensive Income		
on assets sold	**(1,354,150)**	(3,776,160)
on assets held at the year end	**(1,042,044)**	1,906,219
Closing balance	**10,300,108**	11,821,532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. FINANCIAL LIABILITIES – BORROWINGS AND DERIVATIVES

	30 June 2016	30 June 2015
	£	£
Current		
Bank loan	–	5,000,000
Amounts due to brokers	–	107,691
	–	5,107,691
Financial liabilities at fair value	**4,242,531**	3,409,627
	4,242,531	8,517,318

	30 June 2016	30 June 2015
	£	£
Non-current		
Bank loan	**11,000,000**	15,000,000
	11,000,000	15,000,000

At the beginning of the year the subsidiary company El Oro and Exploration Company Limited had overdraft facilities that were repayable on demand and a bank loan that expired on 30 November 2015. The Directors negotiated a £15.0 million rollover on 30 November 2015 with a decrease of £5 million being made from cash reserves. Subsequently the Group repaid a further £4 million of borrowing during the year. The current bank loan was due to expire on 31 December 2018 but will now be repaid by 31 July 2018 (see note 25). 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 are 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 statement of financial position 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 £3.3 million. Commodity forward positions are recognised as an investment in the consolidated financial statements under IFRS when held, 30 June 2016 £450,831 (30 June 2015: £nil).

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.

14. TRADE AND OTHER PAYABLES

	30 June 2016	30 June 2015
	£	£
Other payables	**188,219**	20,201
Accruals	**223,894**	270,585
Unclaimed dividends	**84,773**	269,086
	496,886	559,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

15. CURRENT TAX LIABILITY

	30 June 2016	30 June 2015
	£	£
Corporation tax	**148,603**	305,642

16. DEFERRED TAX LIABILITIES

	30 June 2016	30 June 2015
	£	£
Opening balances at 1 July	**3,511,702**	4,674,130
Net (losses) / gains on investments	**(1,126,752)**	(1,164,374)
Depreciation under capital allowances	–	1,946
Closing balances at 30 June	**2,384,950**	3,511,702

Deferred tax is calculated in full on temporary differences under the liability method using an average tax rate of 20% (2015: 20.75%) 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.

17. CASH AND CASH EQUIVALENTS

	30 June 2016	30 June 2015
	£	£
Cash available on demand	**693,943**	6,350,739
Amounts due to brokers	–	(107,691)
	693,943	6,243,048

18. COMMITMENTS AND CONTINGENT LIABILITIES

Within the normal course of business, the Group has committed to subscribe for securities. As at 30 June 2016 this commitment totalled £101,000 (2015: £169,000).

19. SHARE CAPITAL

	El Oro Ltd		El Oro Ltd	
	30 June 2016	**30 June 2016**	30 June 2015	30 June 2015
	No.	**£**	No.	£
Authorised	**unlimited**	**unlimited**	unlimited	unlimited
Issued and fully paid Shares with no par value	**63,455,990**	**437,732**	64,397,295	447,145
Held in Treasury	**260,045**	**199,428**	260,045	199,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. EQUITY AND RESERVES

	Capital £	Share premium £	Capital redemption reserve £	Merger reserve £	Retained earnings £	Total equity £
At 1 July 2014	488,286	6,017	347,402	3,564	64,172,548	65,017,817
Profit for the year	–	–	–	–	(10,801,125)	(10,801,125)
Treasury shares	(41,141)	–	–	–	–	(41,141)
Dividends (net)	–	–	–	–	(2,347,989)	(2,347,989)
As at 30 June 2015	447,145	6,017	347,402	3,564	51,023,434	51,827,562

	Capital £	Share premium £	Capital redemption reserve £	Merger reserve £	Retained earnings £	Total equity £
At 1 July 2015	447,145	6,017	347,402	3,564	51,023,434	51,827,562
Profit for the year	–	–	–	–	271,177	271,177
Purchase and cancellation of own share units	(9,413)	–	9,413	–	(151,342)	(151,342)
Dividends (net)	–	–	–	–	(1,348,514)	(1,348,514)
As at 30 June 2016	437,732	6,017	356,815	3,564	49,794,755	50,598,883

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.

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 statement of financial position and not the Group's consolidated statement of financial position.

During the year the Company purchased and cancelled 941,305 issued shares. This resulted in a decrease in Capital of £9,413, an increase in Capital redemption reserve of £9,413 and a decrease in Retained earnings of £151,342 as disclosed above.

21. NET ASSETS PER SHARE

The net assets per Share figure is based on net assets of £50,495,861 (2015: £51,827,562) divided by 63,455,990 (2015: 64,397,295) Shares in issue at the year end.

22. CASH FLOW – MATERIAL NON-CASH ITEMS

There were no material non-cash items during the year (2015: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. 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 £348,470 (2015: £442,896) 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 11 and 12.

During the year the Group purchased goods amounting to £3,673 (2015: £3,048) from Danby Registrars Limited, a company wholly owned by CRW Parish, an executive Director of the Company. The Group also reimbursed CRW Parish £2,904 directly for costs incurred in connection with a Company event. In addition the Group sponsored the Walcot Hall Opera, an organisation connected with CRW Parish, for £1,000.

El Oro and Exploration Company Limited owns the UK Group subsidiaries' registered office, 41 Cheval Place, London, SW7 1EW.

Members of the Parish family paid accommodation costs to the Company for the use of the property during the year to 30 June 2016, this amounted to £210 (2015: £nil). No amounts remain outstanding at the year ended 30 June 2016 (2015: £nil).

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

24. 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 2016, based on the earliest date on which payment can be required to be made was as follows:

As at 30 June 2016	**3 months or less £'000**	**Not more than 1 year £'000**	**Not more than 5 years £'000**	**More than 5 years £'000**	**Total £'000**
Financial liabilities at fair value through the profit or loss	–	**451**	–	**3,792**	**4,243**
Bank loan	–	–	**11,000**	–	**11,000**
Other payables	**497**	–	–	–	**497**
	497	**451**	**11,000**	**3,792**	**15,740**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

The contractual maturities of the financial liabilities at 30 June 2015, based on the earliest date on which payment can be required to be made as follows:

As at 30 June 2015	3 months or less £'000	Not more than 1 year £'000	Not more than 5 years £'000	More than 5 years £'000	Total £'000
Financial liabilities at fair value through the profit or loss	163	469	2,131	3,826	6,589
Bank loan	–	5,000	15,000	–	20,000
Other payables	1,320	109	–	3,301	4,730
	1,483	5,578	17,131	7,127	31,319

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 2016 Fair and book value £	30 June 2015 Fair and book value £
Financial assets		
Cash and bank balances	**693,943**	6,350,739
Financial assets at fair value through profit or loss		
Listed fair value investments	**55,146,296**	58,632,323
Unlisted fair value investments	**11,466,022**	11,821,532
	67,306,261	76,804,594
Financial liabilities		
Interest rate swaps*	**3,791,700**	3,409,627
Forward contract	**450,831**	–
Bank loan	**11,000,000**	20,000,000
Amounts owed to brokers	**–**	107,691
	15,242,531	23,517,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

* At the beginning of the financial year the derivatives included 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;

During the year the £5 million fixed at 2.84% over 5 years swap expired and the £5 million fixed at 4.15% over 15 years swap was cancelled at a cost of £1,170,000. In the event that the remaining £10 million fixed at 4.1% over 20 years swap had been closed on 30 June 2016 it would have realised a loss of £3,791,700 (2015: loss on all three swaps of £3,409,627). 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 2016 is a liability of £3,791,700 (2015: £3,409,627) 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 £3,330,616 or 6.6% (2015: £3,522,693 or 6.8%).

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)*

24. FINANCIAL INSTRUMENTS AND RISK PROFILE *(continued)*

	30 June 2016 **£**	30 June 2015 £
Key currencies		
Australian dollar	**4,036,889**	3,389,285
Canadian dollar	**3,926,126**	3,245,712
Malaysian ringitt	**2,024,814**	1,722,763
South African rand	**820,467**	545,057
US dollar	**9,514,956**	7,752,351
	20,323,252	16,655,168
Other currencies		
Euro	**553,099**	386,000
Japanese yen	**291,116**	522,702
Norwegian krone	**–**	–
Swedish krona	**6,705**	5,636
	850,920	914,338
	21,174,172	17,569,506

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	**2016** **£**	2015 £	Change in currency rate (%)	**Effect on net assets 2016 (£'000)**	Effect on net assets 2015 (£'000)
Australian dollar	**4,036,889**	3,389,285	5	**202**	169
Canadian dollar	**3,926,126**	3,245,712	5	**196**	162
Malaysian ringitt	**2,024,814**	1,722,763	5	**41**	86
South African rand	**820,467**	545,057	5	**101**	27
US dollar	**9,514,956**	7,752,351	5	**476**	388
	20,323,252	16,655,168		**1,016**	832
Other currencies	**850,920**	914,338	5	**43**	46
	21,174,172	17,569,506		**1,059**	878

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 statement of financial position date, increasing or decreasing by £1,059,000 or 2.1% (2015: £878,000 or 1.7%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. 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. The Group manages the volatility to interest rate risk through entering into interest rate swaps on long term borrowings. Borrowing at year-end was £11,000,000 (2015: £20,107,691 (see note 13) 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 £110,000 or 0.2% on net assets (2015: £201,077 or 0.4% on net assets). At a floating interest rate greater than 4.1% the Group will receive payments from the counter party to the interest rate swaps, thereby limiting the Group's interest rate exposure on £10 million to 4.1% on £10 million (until 2029 or 2018 depending on the outcome of the special resolution vote as detailed in note 25).

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

	30 June 2016 Fixed rate at fair value £	30 June 2015 Fixed rate at fair value £
Fixed rate notes (assets)	**892,542**	113,593

The effective interest rate on these financial assets is 8.3% (2015: 9.1%).

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 assets mainly comprise of 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 £11.5 million or 17.2% (2015: £11.8 million or 16.8%) 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 separately in the consolidated statement of financial position 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 £11.5 million or 17.2% (2015: £11.8 million or 16.8%) 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 2016 comprises equity share capital, reserves and debt as shown in the consolidated statement of financial position at a total of £61,495,862 (2015: £71,935,253). 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)*

25. SUBSEQUENT EVENTS

In accordance with IAS 10 Events after the statement of financial position date, changes in asset prices after the statement of financial position date constitute a non-adjusting event as they do not relate to conditions that existed at the statement of financial position date. Accordingly, it is not appropriate to reflect any financial effect of these changes in asset prices in the statement of financial position as at 30 June 2016.

The Board has resolved to pay a final dividend of 2.405 pence for the year-ended 30 June 2016 on 28 November 2016 to Members registered on the books of the Company at the close of business on 28 October 2016.

Subsequent to the year end the Directors have resolved to table a special resolution at the next Annual General Meeting of the Company (due to take place on 17 November 2016) to amend the Company's Articles of Incorporation to provide that the Company be placed into voluntary liquidation, unless the shareholders of the Company pass a special resolution at the 2018 Annual General Meeting that the Company may continue.

This resolution has led to a revision in the loan maturity (see note 13) which will now be repaid by 31 July 2018 and to the remaining interest rate swap (see note 24) requiring settlement soon after November 2018 unless there is a vote at the Annual General Meeting held in or around November 2018 that the Company may continue.

26. 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 For the twelve months to 30 June	**Company 30 June 2016 £**	**Subsidiary 30 June 2016 £**	Company 30 June 2015 £	Subsidiary 30 June 2015 £
Revenue	**334,233**	**1,012,339**	(277,282)	690,488
Net gains / (losses) on investments	**2,897,325**	**(2,239,326)**	(7,017,203)	(1,908,156)
Total income / (loss)	**3,231,558**	**(1,226,987)**	(7,294,485)	(1,217,668)
Expenses	**(916,633)**	**(519,587)**	(819,967)	(738,761)
Profit before finance costs and taxation	**2,314,925**	**(1,746,574)**	(8,114,452)	(1,956,429)
Finance costs:				
Interest expense	**(78,232)**	**(1,105,755)**	(172,516)	(1,095,554)
Profit before taxation	**2,236,693**	**(2,852,329)**	(8,286,968)	(3,051,983)
Taxation	**9,979**	**773,812**	8,253	529,573
Profit for the period and total comprehensive income	**2,246,672**	**(2,078,517)**	(8,278,715)	(2,522,410)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. OPERATING SEGMENTS *(continued)*

Statement of financial position at 30 June	**Company 30 June 2016 £**	**Subsidiary 30 June 2016 £**	Company 30 June 2015 £	Subsidiary 30 June 2015 £
Non-current assets				
Property, plant and equipment	**–**	**609,216**	–	1,110,747
Investment Property - painting	**–**	**500,000**	–	–
Intangible Non-Current Asset - capitalised loan note	**–**	**91,667**	–	–
Investment in subsidiary	**538,825**	**–**	538,825	–
	538,825	**1,200,883**	538,825	1,110,747
Current assets				
Trade and other receivables	**156,713**	**3,366,259**	1,191,321	4,652,009
Investments held at fair value	**43,890,542**	**22,721,776**	36,742,823	33,711,032
Cash and cash equivalents	**503,130**	**190,813**	173,136	6,177,603
	44,550,385	**26,278,848**	38,107,280	44,540,644
Current liabilities				
Financial liabilities				
Borrowings	**–**	**–**	–	(5,107,691)
Financial liabilities at fair value	–	**(4,242,531)**	–	(3,409,627)
	–	**(4,242,531)**	–	(8,517,318)
Trade and other payables	**(2,362,363)**	**(1,292,785)**	(3,520,168)	(1,076,279)
Current tax liabilities	**–**	**(153,633)**	–	(305,642)
	(2,362,363)	**(5,688,949)**	(3,520,168)	(9,899,239)
Net current assets	**42,188,022**	**20,589,899**	34,587,112	34,641,405
Non-current liabilities				
Deferred tax liabilities	**–**	**(2,482,942)**	–	(3,511,702)
Bank loan	**–**	**(11,000,000)**	–	(15,000,000)
	–	**(13,482,942)**	–	(18,511,702)
Net assets	**42,726,847**	**8,307,840**	35,125,937	17,240,450
Stockholders' equity				
Ordinary stock units	**437,732**	**538,825**	447,145	538,825
Share premium	**–**	**6,017**	–	6,017
Capital redemption reserve	**9,413**	**347,402**	–	347,402
Other reserve	**–**	**3,564**	–	3,564
Retained earnings	**42,279,702**	**7,412,032**	34,678,792	16,344,642
Total equity	**42,726,847**	**8,307,840**	35,125,937	17,240,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

26. 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 2016 £	**Gross income to 30 June 2016 £**	Value of investments at 30 June 2015 £	Gross income to 30 June 2015 £
Africa	**820,467**	**1,447**	545,057	8,137
Asia	**2,315,930**	**37,806**	2,245,464	50,781
Australia & New Zealand	**4,036,889**	**44,095**	3,389,285	34,721
Europe	**559,805**	**13,783**	391,638	19,009
North America	**13,441,081**	**80,488**	10,998,062	200,555
United Kingdom	**45,438,146**	**1,343,175**	52,884,349	1,272,895
	66,612,318	**1,520,794**	70,453,855	1,586,098

OFFICERS AND ADVISERS

El Oro Ltd (Guernsey) **DIRECTORS*** CRW Parish, M. A. (Oxon) (Chairman) RAR Evans SB Kumaramangalam RE Wade JA Wild * The Directors were all appointed on 9 December 2008. **REGISTERED OFFICE** East Wing Trafalgar Court Les Banques St Peter Port Guernsey **SECRETARY** Aztec Financial Services (Guernsey) Limited Contact: Chris Copperwaite	**El Oro and Exploration Company Limited (UK)** **DIRECTORS** CRW Parish, M. A. (Oxon) (Chairman) EW Houston DRL Hunting RE Wade JA Wild **REGISTERED OFFICE** 41 Cheval Place London SW7 1EW **SECRETARY** U Ni Dhonaill

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