EL ORO LTD

Annual Report and
Audited Consolidated Financial Statements

for the year ended 30 June 2018

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 & 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 the Chairman 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 2018	30 June 2017
Net asset value per share	85.0 pence	88.1 pence
Dividends per share paid to external Shareholders during the year ended	2.420 pence	2.405 pence
Total dividends paid to external Shareholders during the year ended	£1,520,222	£1,517,459

The Group's net asset value per share ("NAV") decreased over the year by 3.5% while the FTSE All Share Index was up by 5.0%. The stock price of El Oro Ltd at year end had increased to 70p (2017: 65p, an increase of 7.7%). 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	
	2018	2017	2018	2017	2018	2017
Financial year to 30 June	5.0%	13.8%	7.7%	18.2%	(3.5)%	10.5%
3 years	16.7%	21.7%	(4.1)%	(23.5)%	(15.8)%	(4.7)%
4 years	27.7%	38.4%	(17.6)%	(38.7)%	(8.0)%	(25.5)%
5 years	45.3%	29.2%	(34.0)%	(37.6)%	(28.1)%	(42.0)%

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

Purchase and cancellation of own shares

The Company is authorised to purchase its own shares under the Articles subject to Shareholder authorisation. The Board is currently authorised to purchase up to 10% 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 (2017: 260,045), is 63,173,398 (2017: 63,173,398).

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 Report

This Annual Report can be downloaded in electronic format from www.eloro.com.

CHAIRMAN'S STATEMENT

The El Oro Group's operating loss before taxation for the year ended 30 June 2018 was £1,618,854 (operating profit before taxation for the year ended 30 June 2017: £7,426,687). The Group's net assets at 30 June 2018 were £53,668,935 or 85.0p per share (net assets at 30 June 2017: £55,680,730 or 88.1p per share).

Shareholders will naturally look askance at a loss occurring in a year of generally favourable returns, albeit skewed towards holders of the FAANGS, whose funds have appreciated around 48% in the past 18 months, as against 11% for value oriented funds. We have, however, taken a particularly conservative look at our unlisted investments, some entered into many years ago, which explains some of the size of the write-downs precipitating the loss.

Whilst your Company approaches the denouement of the vote passed in November 2016, it faces its future (whatever that may be) in much finer fettle than for several years. The remainder of the borrowings from Lloyds Bank were paid off in May 2018, although to achieve that we have sacrificed some of our better stocks, including part of our Young and Co. holding.

The only bugbear on the horizon is the pernicious issue of swaps: these were regrettably purchased to protect the Company from a rise in interest rates: in fact the opposite occurred and a 9 year experiment in 'quantitive easing' ensued: achieving an increase in asset prices, the solvency of banks and income levels of the already wealthy, but seemingly little for the working man. Although we bought a Swap expiring in 2029, and the recent rise in rates by the Bank of England has reduced its liability, Lloyds has now peremptorily decided to ask for repayment in November 2018. Although already accounted for in our figures, this cash will need to be found through the realisation of investments.

Of share losses, there have been the occasional disappointments, not least PZ Cussons, where currency tribulations and a fall in sales have affected its main market in Nigeria despite improvements elsewhere. We take a somewhat sanguine view that such a large and growing population will occasionally need to wash, and hence are holding for the time being, despite its disappointing performance in comparison to its peers such as Unilever and Procter and Gamble. Even Reckitt Benckiser, with its range of household products, continues to thrive.

Amongst other fallers, Pantheon Resources has given back all its gains of earlier years, due to a combination of dry wells and equipment failures, whilst Amerisur struggles in Colombia despite the improving price of oil. Central Asian Metals retains its generous dividend yield, but the price has retreated recently as copper falls in the face of the Trump tariffs upon China. Bacanora withdrew its proposed funding round for its Sonora lithium project, despite support from its main Japanese shareholder; given traditional Japanese patience and loyalty, we would expect a recovery in due course, unless the appeal of lithium were to prove illusory. We also retain our holding in Critical Elements in Canada, with its Lithium deposit, and continue to believe that we will in due course be rewarded.

The Gold market has been described as 'moribund' and the inertia induced by the hot summer and strength of the US Dollar will for some time do little to dispel this state of affairs. Despite this disappointment, Hummingbird has succeeded in bringing its mine in Mali into production, and at some point we may yet be rewarded for our patience.

CHAIRMAN'S STATEMENT

Many investors in Canada and the United States, have been seduced by Bitcoin, cryto-currencies and cannabis stocks. Vanguard is renaming its precious metals fund the Global Capital Cycle Fund after a 24% loss over the past year. We are obstinate or foolish enough to believe that the darkest hour is just before dawn.

Amongst sideways movers, James Halstead continues to perform admirably, although its share price less so: M.P.Evans has met most of the market's expectations, with increasing production and dividend flow, whilst KLK bides its time having recently increased its holding in M.P. Evans to 15%. REA Holdings may yet surprise on the upside, even if for now it remains a laggard. Whilst Hurricane Energy has regained some of its composure, we remain hopeful that with the rig ordered and under construction, we will see production in 2019. We are encouraged to hear that Hurricane is now in alliance with Spirit Energy, a subsidiary of Centrica, which will be separately funding exploration of one of its areas. This has sent the share price higher, and underpins the value spotted by Crystal Amber two years ago. We believe, given reasonable production once it commences next year, and a stable oil price, that higher levels should be achievable. Crystal Amber retains the bulk of its stake, and together we rely on the flow of 'Stranded Oil'.

Those with longer memories before the onset of the Mining malaise, will recall our holding in Reservoir Minerals, which was taken over by Nevsun Resources a few years ago, the prize being its copper deposit at Timok in Serbia, adjoining Freeport McMoRan's existing mine. Lundin bid C$4.75 earlier in the year, an offer that was rejected by Nevsun. Lundin's offer has now been topped by Zjjin Mining, at $6. We are encouraged to see value emerging on this scale: more visible, it would seem to Asians with the Belt and Road glint in their eyes, than the more cautious West. This illustrates once again the need for patience and vision in Mining, or any natural resource for that matter, where there is sometimes an extended period between the first concept and its realisation. Momentum and FAANG investors will naturally prefer the promise of more dramatic returns such as recently experienced.

Amongst our other holdings, pride of place as so often before belongs to Young and Co, who now threaten to breach the £18 mark, scant comfort to Sir Ron Brierley whose holding period until thwarted by his Antipodean Board was apparently 'forever'. We hesitate to add more praise to Patrick Dardis, Stephen Goodyear and their team, but can at least add our thanks for such superb stewardship and the enhancement of our NAV and dividend flow.

Abraham Lincoln is quoted as saying "I am a firm believer in the people. If given the truth they can be depended upon to meet any national crisis. The great point is to bring them the real facts, and beer." A quotation perhaps even more relevant for our own fraught times.

Along with the superlative Young's, Goodwin has soared after confounding the sceptics and producing excellent results and a significantly improved dividend. Victrex continues to thrive, and North Atlantic Smaller Companies under its idiosyncratic leadership, not necessarily to everyone's taste, flourishes. Hansa Trust has begun to benefit from its new format and the improved results from Ocean Wilsons, and AJ Mucklow grows consistently with its Midlands property portfolio. RWS reaps the reward from its patent portfolio and its recent acquisition, whilst Chesnara and Phoenix produce copious quantities of cash from zombie Pension portfolios. Amongst the Bs, Berkshire Hathaway has seen the Wisdom of Age rewarded for its investment in Apple, after a false start with IBM, and Burford Capital continues to defy gravity with its litigation fund seemingly going from strength to strength. Some compensation for failing to hold onto FeverTree after 2016's Brexit vote.

CHAIRMAN'S STATEMENT

Whilst we believe our portfolio offers breadth and strength, we are concerned that the political scene in Britain lacks those characteristics, as recently described by Peter Hargreaves. Two able proponents of the people's will in the recent Referendum have now departed from the Cabinet; the composer of the epithet 'the Nasty Party' for now rules the roost, having handled negotiations with her European colleagues with a finesse that would shame a Rhinoceros. We are supposed to support an agreement that ties us to European suzerainty and jurisdiction without participation. Even contemplating such an offer is abhorrent, and we can only hope that true visionaries and free marketeers will emerge to lead Britain once more to the broad, sunlit uplands. Businesses have already suffered enough, including your own company, from intrusive European regulations, of which PRIIPS, MIFID2 and GDPR, are 3 egregious examples; all stemming from a culture that enhances the role of the State, and its all-knowing power, rather than that of the entrepreneur and single trader. Not to mention KIDs which is supposedly endorsed by the Association of Investment Trust Managers with the caption 'burn before reading'. So many of our great inventors and business builders, such as Steve Jobs, Bill Gates, Tim Martin and others have failed to finish University courses, and yet in Britain half the country is now expected to complete a degree of some sort. The Dead Hand of Bureaucracy prevails, and the most elementary tasks, such as driving or sitting on a local council, now require one or a sequence of training courses.

Sadly the former home secretary's obsession with immigration numbers is hampering the growth of our education exports, and we have been superseded by the US, which has educated more leaders than the United Kingdom for the first time. Our education establishments were at the forefront of teaching in the world, and need to be restored to their pre-eminence with opportunities for work in the United Kingdom for their alumni. This will strengthen the position of the UK in an increasingly competitive world.

An individual is no longer considered capable of selecting a bond suitable for their own needs, but must buy a Prudential Reserve Bond: once interest rates resume their rise or original levels, these will invariably fall by a substantial margin. Moreover, it now appears that the issuance of BBB grade bonds has risen from 30% to 50% in recent years: not an encouraging scenario if pressure once again is applied to bond yields.

In China, it is now said that there will be bankruptcies amongst many Chinese companies if the trade war over tariffs is exacerbated whilst the Chinese eased their lending terms to accommodate those struggling in the pre-election Trump tourniquet.

Britain's determination to persist with the hyper-expensive HS2 despite various accounting bodies warning of its cost-over-runs likely to exceed 60%, alongside the funds already committed to Hinkley Point, and the commitment to phase out energy produced from coal by 2025, ensures an ingrained cost disadvantage to all our manufacturing sector: the Greens whose economic illiteracy was once mocked are truly running the asylum.

Our politicians would be well advised to dwell on the dismissal of Malcolm Turnbull as Prime Minister of Australia whose obsession with a 'green' energy agenda is now being replaced by a new energy minister keen to utilise Australia's vast resources of coal. The essential goal being to supply cheap and consistent energy to the people as a whole. Nothing undertaken in Britain in recent years by green zealots will meet that objective.

CHAIRMAN'S STATEMENT

The Home Secretary recently overruled his own Inspector's recommendation to allow mining at Druridge Bay as a 'not sustainable development' despite it meeting those time constraints and providing hundreds of jobs.

As a result of Health and Safety provisions, the Fire Service waited 2 hours to attend the Manchester Arena attack, in case there was a terrorist lurking. Whilst Japan and China increase their building of coal fired power stations, Lloyds Bank has said it will no longer lend to suppliers of coal companies, leaving begging the question of where our energy will emerge from during the sunless days of winter or windless days of summer such as recently.

Cambridge University may well live to regret losing its investment team as the student body calls for disinvestment from carbon fuels. We have increased our exposure and hope all shareholders will benefit in the near term.

Meanwhile, in the United States, the economy grows, strengthened by the long-overdue tax cuts initiated by President Trump, and Jerome Powell raises interest rates, much to the irritation of the President. His main reward for a booming economy would appear to be impeachment if Russian collusion in ensuring his election is proved. Whatever his achievements in Syria and the World Cup, we suspect such an achievement and bamboozling the US Electorate beyond even Putin's fabled powers.

Jeopardising our trade with Russia over a deplorable but unsuccessful assassination plot would appear to us an inadequate approach to a once great country craving respect and a return to its ancient glories. We would encourage genuine diplomacy and a mutual respect for our shared culture and beliefs aligned with clear boundaries.

The knife inserted into the entrails of El Oro in November 2016 has been remorselessly turned; Theresa May's abnegation of the free market is blurring the distinction for the young between Corbyn and Macdonnell's Venezuelan Marxist model for the British economy, and that of a richly productive low tax/ low regulation Capitalist alternative. Concurrent with these potential calamities, a Hard or No-deal Brexit threatens, according to the soothsayers, untold misery and hardship for the British economy and people.

How lucky we have been at Cheval Place to be supported by the inestimable Abbie, ably assisted by Nick and Nancy, whilst Una performs her wizardry with the accounts. A more loyal and capable crew it would be hard to replicate.

The Board continues to review the opportunities available to the company in light of the vote taken in November 2016 to liquidate following the 2018 AGM. We hope to make an announcement soon.

Robin Woodbine Parish
2 October 2018

INVESTMENTS WITH A FAIR VALUE EXPOSURE GREATER THAN £500,000
based upon fair values at 30 June 2018

	Investment	Local Currency	Fair Value GBP	Fair Value Cumulative GBP	% of financial assets
1	Young & Co.	GBP	4,627,000	4,627,000	
2	M P Evans Group	GBP	2,436,945	7,063,945	
3	Fuller, Smith & Turner	GBP	2,162,416	9,226,361	
4	Kuala Lumpur Kepong	MYR	1,960,943	11,187,304	
5	James Halstead	GBP	1,869,300	13,056,604	
6	Hurricane Energy	GBP	1,484,722	14,541,326	
7	REA Holdings	GBP	1,243,644	15,784,970	
8	Herald Investment Funds	GBP	1,096,628	16,881,598	
9	Hampden	GBP	1,050,000	17,931,598	
10	Vietnam Funds	GBP	963,700	18,895,298	34%
11	Phoenix Group	GBP	879,450	19,774,748	
12	Royal Dutch Shell	GBP	877,150	20,651,898	
13	Central Asia Metal	GBP	869,400	21,521,298	
14	Jersey Electricity	GBP	794,640	22,315,938	
15	McMullen & Sons	GBP	718,000	23,033,938	
16	Goodwin	GBP	706,800	23,740,738	
17	Legal & General Group	GBP	685,780	24,426,518	
18	Critical Elements	CAD	682,080	25,108,598	
19	Lindsell Train Funds	GBP	630,393	25,738,991	
20	Palace Capital	GBP	602,473	26,341,464	47%
21	Amerisur Resources	GBP	573,040	26,914,504	
22	Mucklow (A & J) Group	GBP	571,981	27,486,485	
23	Exxon Mobil Corp.	USD	564,939	28,051,424	
24	Chesnara	GBP	546,066	28,597,490	
25	PZ Cussons	GBP	539,520	29,137,010	
26	Nevsun Resources	CAD	525,830	29,662,840	
27	Burford Capital	GBP	520,100	30,182,940	
28	Lunar Capital Partners Funds	USD	500,083	30,683,023	55%
			Investments over £500,000	30,683,023	55%
			Other investments	24,868,552	45%
			Total investments	**55,551,575**	**100.0%**

DIRECTORS' REPORT

The Directors present the Annual Report and the Group consolidated financial statements for the year ended 30 June 2018.

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 2018 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.

At the November 2016 AGM the Shareholders passsed a special resolution altering the Company's Articles so that within six months of the 2018 AGM the Company will be put into liquidation, unless the shareholders of the Company pass a special resolution at the 2018 Annual General Meeting (or before) that the Company may continue. The Board continues to review the alternative opportunities available to the company and hopes to make an announcement soon.

Results, expenses and dividend

The Group's comprehensive loss for the financial year was £491,573 (2017: comprehensive profit £6,792,079).

The Group's expenses for the year ended 30 June 2018 were in line with the previous year save for the provision of costs related to the retention of staff and corporate finance advice taken by the Board (see note 4).

For the year ended 30 June 2018, a final dividend of 2.54 pence per share is proposed for payment on 26 November 2018 to Shareholders registered in the books of the Company at the close of business on 26 October 2018 (2017: 2.42 pence per share).

Principal Risks and Risk Mitigation

The Group's assets consist mainly of listed securities and its principal risks are therefore market and currency related. A detailed explanation of these risks and how they are managed is contained in note 25 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 45, 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 2018 beneficial No. of Shares	**30 June 2018 non-beneficial No. of Shares**	30 June 2017 beneficial No. of Shares	30 June 2017 non-beneficial No. of Shares
CRW Parish	5,464,035	6,972,485	6,272,470	6,154,050
SB Kumaramangalam	6,388,565	3,320,405	6,388,565	3,320,405
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 2018 and the date of this report. Of the shares in issue, 37,153,164 or 58.81% (2017: 37,152,469 or 58.81%) are not in public hands at the year ended 30 June 2018.

DIRECTORS' REPORT *(continued)*

No Director had a beneficial interest other than those mentioned in note 24, 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 25.

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 5% 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	28.53	18,023,709	–	18,023,709
Rulegale Nominees Limited	20.81	13,148,899	–	13,148,899
Mrs E Houston	16.61	10,497,745	5,994,907	4,502,838
Mrs SW Kumaramangalam	15.37	9,708,970	6,388,565	3,320,405
Mr G & Mrs CW Zegos	10.17	6,426,445	4,255,335	2,171,110
Mr WB & Mrs P Fraser	8.78	5,544,560	53,045	5,491,515
CIPM Nominees Limited	6.74	4,255,335	–	4,255,335
Nortrust Nominees Limited	5.66	3,575,000	–	3,575,000

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 2018:

	Fees £	Salary & other £	Benefits in kind £	Total £
Executive				
CRW Parish (Chairman)*	–	252,000	40,414	292,414
Non-executive				
SB Kumaramangalam	9,600	–	–	9,600
RAR Evans	18,000	–	–	18,000
RE Wade*	27,478	–	6,926	34,404
JA Wild*	27,478	–	–	27,478
Total	82,556	252,000	47,340	381,896

* The Directors remuneration includes fees and salary 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 2017:

	Fees £	Salary & other £	Benefits in kind £	Total £
Executive				
CRW Parish (Chairman)*	–	252,000	1,520	253,520
Non-executive				
SB Kumaramangalam	9,600	–	–	9,600
RAR Evans	18,000	–	–	18,000
RE Wade*	27,478	–	–	27,478
JA Wild*	27,478	–	–	27,478
Total	82,556	252,000	1,520	336,076

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

The Chairman's emoluments for the years ended 30 June 2018 and 2017 are detailed in the Directors' emoluments tables above.

The benefit in kind relates to payments made for medical insurance and a provision for taxes payable in respect of benefits in kind not recognised in prior years which the company will pay (2017: medical insurance only).

A performance bonus may be paid to the Chairman at the discretion of the Remuneration Committee, conditional upon a dividend of at least 1 pence per share being paid. Such 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 £434,906. The Remuneration Committee recommended, and the Directors agreed to a performance bonus of £nil for the years ended 30 June 2018 and 2017. No Director waived emoluments for the year ended 30 June 2018.

Directors' pension entitlement
The Directors have no pension entitlements. The Group does pay pension contributions on behalf of certain directors as required under the Workplace Pension Regulations. The total amount paid in the year ended 30 June 2018 was less than £100 (2017: less than £100).

Independent auditor
PricewaterhouseCoopers CI LLP was re-appointed during the year as the Company's auditor and have indicated its willingness to continue in office as auditor. In accordance with The Companies (Guernsey) Law, 2008, a resolution for the re-appointment of PricewaterhouseCoopers CI LLP as auditor 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 satisfied with the conduct of the Chairman and his performance as Investment Manager.

By order of the Board
RAR Evans
Director
2 October 2018

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 ("IFRS") 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 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987. 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 auditor is 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 auditor is 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 2 October 2018.

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)	437,732	50,598,883
2017	7,426,687	434,906	55,680,730
2018	(1,618,854)	434,906	53,668,935

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 2.

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	£47,261,944
Taxation	£20,208,859
	£67,470,803

[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 2018 was 70.0 pence and at 30 June 2017 was 65.0 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 audit of the consolidated financial statements

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of El Oro Ltd. (the "Company") and its subsidiaries (together "the Group") as at 30 June 2018, and of their consolidated financial performance and their consolidated cash flows 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 and The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

What we have audited
The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Material uncertainty related to going concern
We draw attention to Note 2.3 to the consolidated financial statements, which refers to the resolution passed in the November 2016 Annual General Meeting (AGM) altering the Company's Articles of Incorporation so that within six months from the scheduled 2018 AGM, the Company will be put into liquidation, unless the shareholders pass a resolution on or before then that the Company may continue to operate. In response to this matter, the directors are currently considering a range of options, which are subject to approval and ratification by the shareholders. Whilst the Directors expect to resolve this situation in due course, there is at present some inevitable uncertainty as to the final outcome. Management have concluded that, at this stage, that the Group is a going concern and as a result, the Group's financial statements have been prepared on a going concern basis however this emphasis of matter draws attention to the uncertainty associated with this. Our opinion is not modified in respect of this matter.

Our audit approach
Overview

Materiality
- Overall group materiality was £1.07 million (2017: £0.8 million) which represents 2.00% (2017: 1.50%) of group net assets.

Audit scope
- The financial statements are a consolidation of the Company and its subsidiaries which hold a number of investments.
- We have audited the financial statements of the two significant subsidiaries and the Company. Three other components of the Group are considered to be dormant.
- Group audit scoping was performed based on total net assets held within each of the 6 components in the Group and the audited components covered over 99% of Group total net assets.
- The Company is based in Guernsey and its subsidiaries are based in London
- As part of the audit approach we visited the Group's offices in London and performed required audit procedures.
- We tailored the scope of our audit by taking into account the types of investments within the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters
- Valuation of Investments (financial assets held at fair value through profit and loss)
- Existence of Investments (financial assets held at fair value through profit and loss)

INDEPENDENT AUDITORS' REPORT
to the Members of El Oro Ltd

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	£1,073,379 (2017: £835,210)
How we determined it	2.00% of Group net assets (2017: 1.50%)
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £53,669 (2017: £33,850), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT
to the Members of El Oro Ltd

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td>Valuation of investments (financial assets held at fair value through profit and loss)

As disclosed in note 2.4 (Accounting policies) and note 13 to the financial statements, the Group holds investments in financial assets at fair value through profit and loss amounting to £55.6 million as at 30 June 2018 (2017: £63.6 million). These investments comprise both quoted and unquoted investments. The investment portfolio represents 104% (2017: 114%) of the Group's net asset value.

The investments into quoted securities are valued using the bid price as at 30 June 2018. These investments are categorised under the "Level 1" Fair Value Hierarchy as defined in IFRS 13, Fair Value Measurements.

Investments into unquoted securities comprise of investments in instruments which either have observable inputs ("Level 2") or investments in funds which are valued by the directors and require estimates and judgements to be applied ("Level 3"). These two investment categories account for 19% (2017: 20%) of the portfolio of investments at fair value through profit and loss as at 30 June 2018.

We focused on this balance as it represents the principal element of the net asset value as disclosed on the Statement of Financial Position as at 30 June 2018 as well as being a key contributor to the Group's performance during the year.</td><td>We assessed the accounting policy for the investments held at fair value through profit and loss covering the recognition, classification and measurement to ensured it was in compliance with accounting standards and industry practice. During the performance of our audit work, we considered that the investments had been accounted for in accordance with the stated accounting policy.

We confirmed our understanding of the key controls and methodologies surrounding the valuation of investments.

We re-priced 100% of the Level 1 investments as at the end of the reporting period using independently obtained pricing information.

For Level 2 and 3 investments, we applied a risk based approach of selecting a sample of investments to test, taking into account a number of factors including the risk of that investment, the materiality of that investment, whether it had been tested in the prior year and we performed the following procedures:

Level 2 Investments:
We re-priced the selected sample of investments as at the end of the reporting period using third party observable market information on comparable or similar instruments.

Level 3 Investments:
• We independently obtained and agreed the valuation of the sample of unquoted investments to supporting reports from the underlying investee, where applicable.
• We tested the year end foreign currency rates used to convert investments denominated in foreign currency for reasonableness against an independently obtained exchange rate.
• We converted those investments held in foreign currencies using an independently obtained exchange rate as at year end and compared this for reasonableness to the Group's conversion.
• We ensured that the framework of reporting of the supporting reports/valuation for the underlying fund was consistent with the principles of IFRS 13.
• We considered the reliability of the information that was provided.
• We reviewed and challenged any assumptions/ adjustments/conclusions made by management to the valuations provided by the underlying general partner/ management of the investee company.

We have concluded that the valuation of Financial assets at fair value through profit or loss is within a reasonable range. Additionally the valuation is supported by the available evidence with significant assumptions and valuation methodologies used assessed as being appropriate and reasonable.
The results of our procedures identified no material misstatement in the fair value of Financial assets at fair value through profit or loss.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT
to the Members of El Oro Ltd

Existence of investments (held at fair value through profit and loss) As noted above, Investments held at fair value through profit and loss are a key contributor to the Net Asset Value and thus the existence of those Investments is integral to our audit. From the total of 266 investments (2017: 319) in 209 companies (2017: 244) held by the Group, 250 (2017: 301) are held with an independent custodian and the remaining 16 (2017: 18) are held securely by the Group.	We gained an understanding of the key controls surrounding the existence of investments held at fair value through profit and loss. We requested an independent confirmation from the custodian and agreed the holdings per the confirmation received from the independent custodian to the books and records of the Group. For those investments not held by the custodian, we selected a sample and independently requested a confirmation from the underlying investment manager/ company to confirm existence independently inspected share certificates to corroborate the Group's holding. We concluded that the investments existed and were owned by the Group at the end of the reporting period. No material misstatements were identified by our testing.

Other information
The directors are responsible for the other information. The other information comprises the Annual Report and Audited Consolidated Financial Statements but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the up or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT
to the Members of El Oro Ltd

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the 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.

Joanne Peacegood
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
October 2018

The maintenance and integrity of the El Oro Ltd.'s website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended to 30 June 2018

	Notes	**30 June 2018** **£**	30 June 2017 £
Revenue	3 a	**1,356,339**	1,483,710
Net (losses) / gains on investments	3 b	**(671,812)**	7,946,532
Total investment income		**684,527**	9,430,242
Expenses	4	**(1,841,092)**	(1,263,440)
(Loss) / profit before finance costs and taxation		**(1,156,565)**	8,166,802
Finance costs	4	**(462,289)**	(740,115)
(Loss) / profit before taxation		**(1,618,854)**	7,426,687
Taxation credit / (charge)	6	**19,251**	(634,608)
(Loss) / profit for the financial year	7	**(1,599,603)**	6,792,079
Earnings per share	7	**(2.5p)**	10.8p
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Revaluation of property	8	**1,405,604**	–
Income tax on items that will not be reclassified to profit and loss	17	**(297,574)**	–
Other comprehensive income net of tax	21	**1,108,030**	–
Total comprehensive (loss) / income		**(491,573)**	6,792,079

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Notes	**30 June 2018** **£**	30 June 2017 £
Opening capital and reserves attributable to equity holders		**55,680,730**	50,598,883
Total comprehensive income and (loss) / profit for the financial year		**(491,573)**	6,792,079
Decrease of share capital on cancellation of shares		–	(2,826)
Increase of capital redemption reserve on cancellation of shares		–	2,826
Decrease of retained earnings on cancellation of shares		–	(194,306)
Dividends paid (net)	5	**(1,520,222)**	(1,515,926)
Closing capital and reserves attributable to equity holders	21	**53,668,935**	55,680,730

The accompanying notes on pages 23 to 44 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	**30 June 2018 £**	30 June 2017 £
Non-current assets			
Property	8	**1,950,000**	551,899
Plant and equipment	8	**55,207**	59,348
Investment in artwork	9	–	500,000
Intangible asset	10	–	18,400
		2,005,207	1,129,647
Current assets			
Investment in artwork held for resale	9	**250,000**	–
Trade and other receivables	12	**562,335**	818,216
Investments held at fair value through profit or loss	13	**55,551,575**	63,599,004
Cash and cash equivalents	18	**765,187**	913,260
Total current assets		**57,129,097**	65,330,480
Current liabilities			
Trade and other payables	15	**914,583**	567,320
Financial liabilities at fair value through profit or loss	14	**2,719,192**	3,094,600
Current tax liability	16	**240,190**	716,280
Total current liabilities		**3,873,965**	4,378,200
Net current assets		**53,255,132**	60,952,280
Non-current liabilities			
Borrowings	14	–	4,600,000
Deferred tax liabilities	17	**1,591,404**	1,801,197
Total non-current liabilities		**1,591,404**	6,401,197
Net assets		**53,668,935**	55,680,730
Capital and reserves attributable to equity holders			
Share capital	20	**434,906**	434,906
Reserves	21		
Share premium		**6,017**	6,017
Capital redemption reserve		**359,641**	359,641
Merger reserve		**3,564**	3,564
Revaluation reserve		**1,108,030**	–
Retained earnings		**51,756,778**	54,876,602
Total equity		**53,668,935**	55,680,730
Net asset value per share	22	**85.0p**	88.1p

The Board of Directors approved and authorised the Group's financial statements for issue on 2 October 2018.

Signed on behalf of the Board by:

CRW Parish
Chairman

RAR Evans
Director

The accompanying notes on pages 23 to 44 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	Notes	**30 June 2018** **£**	30 June 2017* £
Operating activities			
(Loss) / profit before tax		**(1,618,854)**	7,426,687
Adjustments for:			
Depreciation		**14,954**	14,715
Net unrealised losses / (gains) on fair value investments through the profit or loss		**608,527**	(8,000,879)
Finance costs (includes amortisation of capitalised loan note fee)		**462,289**	740,115
Cash flow from operations before changes in working capital		**(533,084)**	180,638
Decrease in financial assets at fair value through the profit or loss		**7,313,494**	10,317,093
Decrease / (increase) in trade and other receivables		**255,881**	(451,973)
Increase / (decrease) in trade and other payables		**372,250**	(347,255)
Cash flow from operations		**7,408,541**	9,698,503
Income taxes paid		**(964,207)**	(650,684)
Net cash generated from operating activities		**6,444,334**	9,047,819
Investing activities			
Purchase of property, plant and equipment		**(3,310)**	(16,746)
Net cash used in investing activities		**(3,310)**	(16,746)
Financing activities			
Interest paid		**(468,875)**	(699,991)
Net dividends paid to Shareholders	5	**(1,520,222)**	(1,517,459)
Repayment of borrowings	14	**(4,600,000)**	(6,400,000)
Purchase of own shares subsequently cancelled	21	**–**	(194,306)
Net cash used in financing activities		**(6,589,097)**	(8,811,756)
Net (decrease) / increase in cash and cash equivalents		**(148,073)**	219,317
Cash and cash equivalents at the beginning of the year		**913,260**	693,943
Cash and cash equivalents at the end of the year	18	**765,187**	913,260

The accompanying notes on pages 23 to 44 form an integral part of the financial statements.

*Certain items have been reclassified to provide more clarity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

El Oro Ltd ("the Company") and its subsidiaries (together "the Group") trade in investments world-wide, with investments in UK companies forming the larger portion of the portfolio. 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").

2. 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. The principal accounting policies are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments, investment in artwork and the freehold property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.17.

2.2 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 provide investment related services to the Company) disclosed in note 11, 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.

2.3 Going concern

The Group meets its day-to-day working capital requirements through the trading of its securities.

At the November 2016 Annual General Meeting ("AGM") the shareholders passed a resolution altering the Company's articles so that within six months of the 2018 AGM, the Company will be put into liquidation. In response to this matter, the directors are currently considering a range of options including, but not limited to, reorganising, unitising or restructuring the Company with the ultimate objective of continuing its operations and that of the Group in the foreseeable future. This is subject to approval and ratification by the shareholders of the Company. Whilst the directors expect to resolve this situation in due course with proper ratification by the Company's shareholders, there is at present some inevitable uncertainty as to the final outcome. The directors are satisfied that, given the net assets of the Company and the Group and taking into account the options available to the Company and the Group as well as reasonable possible changes in performance and expenses, it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The Group has an outstanding bank loan of £nil million (2017: £4.6 million) which was due to be repaid by end of July 2018 but was, in fact, repaid in May 2018. This repayment was financed by the sale of securities.

The Group also has an outstanding interest rate swap liability of £2.7 million (2017: £3.1 million). This liability is now due for repayment in November 2018, following Lloyds Bank plc early termination of this contract. It is anticipated that this repayment will be financed by the sale of securities.

2.4 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.4 Financial assets and financial liabilities held at fair value through profit or loss *(continued)*

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 14 and note 25.

2.5 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.

2.6 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.

2.7 Expenses

All expenses and finance costs are accounted for on an accruals basis.

2.8 Taxation

The tax credit or charge represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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.

2.9 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.

Functional and presentation currency
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.

Transactional balances
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.10 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.

2.11 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.

2.12 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.

Following initial recognition at cost, the freehold property is carried at revalued amounts which are the fair values at the date of the revaluation, as determined by independent appraisers, less subsequent accumulated depreciation (on buildings and improvements) and any accumulated impairment losses.

Revalued amounts are fair market values determined based on appraisals by external professional appraiser once every two years or more frequently if market factors indicate a material change in fair value (see Note 8).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves is transferred to Retained Earnings for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in Revaluation Reserves relating to them are transferred to Retained Earnings.

An item of property, plant and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.13 Investment in artwork and investment in artwork held for sale

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.

Current assets classified as held for sale include investment in artwork that the Group intends to sell within one year from the date of classification as held for sale.

The Group classifies a current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group's remains committed to its plan to sell the asset.

Current assets held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss and included as part of net profit/(losses) on investments in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.14 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.

2.15 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.

2.16 Operating segments

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 27. 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 27.

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.

2.17 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 2.4. At the year end, unquoted investments represented 17.1% of the total portfolio on a fair value basis (2017: 20.3% of the total portfolio on a fair value basis).

The Group's freehold property are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 8. A significant change in these elements may affect prices and the value of the assets. The amounts of revaluation gains recognised on these assets are disclosed in Notes 8 and 21.

The fair value disclosed for the investment in artwork in note 9 is based on a current market valuation provided by a reputable dealer in fine art. The directors believe this valuation to be representative of its fair value as at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.18 Standards, amendments and interpretations

Relevant and effective in future financial year
IFRS 9, Financial instruments and associated amendments to various other standards (effective 1 January 2018).
IFRS 15, Revenue from contracts with customers and associated amendments to various other standards (effective 1 January 2018).
Amendment to IFRS 2 on the classification and measurement of Share Based Payment Transactions (effective 1 January 2018).
Interpretation 22 Foreign Currency Transaction and Advance Consideration (effective 1 January 2018).
IFRS 16, Leases (effective 1 January 2019).

The directors have reviewed the new standards and interpretations, and does not expect them to have a significant effect on the financial statements of the Group. The impact assessment of these standards, amendments and interpretations is ongoing.

The application of IFRS 9 may result in additional disclosure included in future financial statements of the Group to comply with the requirements of IFRS 9 relating to judgements applied by management in the classification and subsequent recognition of the financial assets held by the Company.

Based on an assessment by the Directors of the Group's revenue streams as at 30 June 2018, which has been limited to the facts and circumstances existing at date, and IFRS 15, Revenue from Contract with Customers (effective 1 January 2018) which will replace IAS 18, Revenue, management determined that there will be limited impact on the revenue recognition principles given the sources of income composed solely of mark to market gains (or losses) on investments held at fair value through the profit and loss account, dividends received on investment held and rental income generated.

3. INVESTMENT INCOME

	30 June 2018	30 June 2017
	£	£
a. **Revenue**		
Dividends from investments	**1,352,675**	1,478,797
Other income	**3,664**	4,913
	1,356,339	1,483,710

	30 June 2018	30 June 2017
	£	£
b. **Net (losses) / gains on investments**		
Net unrealised (losses) / gains on fair value of investments through the profit or loss	**(2,591,971)**	2,992,755
Net realised gains on fair value of investments through the profit and loss	**1,842,972**	4,204,247
Net foreign exchange gains	**77,187**	749,530
Net (losses) / gains on investments	**(671,812)**	7,946,532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. EXPENSES AND FINANCE COSTS

The details of expenses by nature are shown below.

	30 June 2018 £	30 June 2017 £
Employment costs	**959,032**	681,992
Corporate finance advisory costs	**333,250**	–
Listing fees and related costs	**108,282**	99,874
Auditor's remuneration	**96,066**	97,002
Research	**80,950**	102,009
Custodial costs	**63,590**	62,597
Property running costs	**32,143**	17,551
Depreciation and amortisation	**14,953**	14,714
Other expenses	**152,826**	187,701
	1,841,092	1,263,440

Employment costs include the following items:	**30 June 2018 £**	30 June 2017 £
Wages and Salaries	**671,480**	642,768
Social Security costs	**40,579**	38,590
Pension costs	**1,940**	634
Retention bonus provision (including related social security costs)	**245,033**	–
	959,032	681,992
Benefits in kind included within employment costs	**48,812**	1,520

Employment costs include a provision for a retention bonus amounting to £245,033, which the directors have provided for in order to retain existing staff during the uncertain time created as a result of the vote passed by the shareholders in November 2016.

Benefits in kind include a provision for tax payable relating to prior year benefits not previously recognised. The provision comprises the value of benefits grossed up for the tax component which will be paid for by the Group.

	30 June 2018	30 June 2017
Monthly average staff numbers (including executive Director)		
Investing / research	**1**	1
Administration	**4**	4
	5	5

Full details of the fees and emoluments for each Director are provided in the Directors' report on pages 12 and 13.

	30 June 2018 £	30 June 2017 £
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	**47,000**	49,419
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**49,066**	47,583
	96,066	97,002

Finance costs are comprised of the following items:	**30 June 2018 £**	30 June 2017 £
Interest payable on bank loans (note 14)	**443,889**	666,848
Amortisation of capitalised loan note fee (note 10)	**18,400**	73,267
	462,289	740,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. DIVIDENDS PAID

	Paid during year to	
	30 June 2018	30 June 2017
	£	£
Final dividend of 2.42 pence (2017: 2.405 pence) paid per ordinary Share	**1,520,222**	1,517,459
Dividends unclaimed after 12 years	–	(1,533)
Net dividends	**1,520,222**	1,515,926

Dividends paid and proposed

For the year ended 30 June 2018 the Directors propose a dividend of 2.54 pence per Share totalling £1,604,604 (2017: Proposed and paid a dividend of 2.42 pence per Share totalling £1,520,222).

6. TAXATION

6.1 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.

6.2 Foreign tax – United Kingdom

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

	30 June 2018	30 June 2017
	£	£
Analysis of tax charge		
Current tax		
UK corporation tax on losses / profits for the year	**471,665**	1,200,116
Adjustment in respect of prior year	–	2,316
Overseas tax charge	**16,452**	15,905
Total current tax	**488,117**	1,218,337
Deferred tax		
Origination and reversal of timing differences	**(507,368)**	(453,304)
Effect of tax rate changes on opening balances	–	(130,425)
Total deferred tax	**(507,368)**	(584,329)
Tax (credit) / charge on losses / (profit) from ordinary activities	**(19,251)**	634,608

Factors affecting tax (credit) / charge

The tax assessed is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%).

	30 June 2018	30 June 2017
	£	£
The differences are explained below		
(Loss) / profit on ordinary activities before tax	**(1,618,854)**	7,426,687
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.75%)	**(307,582)**	1,466,771
Effects of		
Expenses not deductible for tax	**209,116**	41,816
Tax rate differences	**62,763**	(885,858)
Foreign tax	**16,452**	15,905
Adjustments in respect of prior year	–	(2,316)
Income not subject to tax	–	(1,710)
Total tax (credit) / charge for the year	**(19,251)**	634,608

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 Budget on 16 March 2016. The rate fell by 1% to a rate of 19% with effect from 1 April 2017 and will drop by a further 2% to a rate of 17% with effect from 1 April 2020.

Deferred tax balances have been remeasured to 17%. This was the rate enacted at the statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. EARNINGS PER SHARE (BASIC/DILUTED)

	30 June 2018 **£**	30 June 2017 £
Loss / profit after tax	**(1,599,603)**	6,792,079
Number of shares in issue at year end	**63,173,398**	63,173,398
Loss / earnings per share (basic/diluted)	**(2.5p)**	10.8p

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	**Fixtures, fittings, paintings and computer equipment £**	**Total**
At 1 July 2016			
At cost	745,503	159,203	904,706
Accumulated depreciation	(186,101)	(109,389)	(295,490)
Net book value	**559,402**	**49,814**	**609,216**
Year ended 30 June 2017			
Opening net book value	**559,402**	**49,814**	**609,216**
Purchases during the year	–	16,746	16,746
Disposals at cost	–	(7,864)	(7,864)
Depreciation on disposals	–	7,864	7,864
Depreciation for year	(7,503)	(7,212)	(14,715)
Closing net book value	551,899	59,348	611,247
Year ended 30 June 2017			
At cost	745,503	168,085	913,588
Accumulated depreciation	(193,604)	(108,737)	(302,341)
Net book value	**551,899**	**59,348**	**611,247**
Year ended 30 June 2018			
Opening net book value	**551,899**	**59,348**	**611,247**
Purchases during the year	–	3,310	3,310
Revaluation of property			
– adjustment to cost base	1,204,497	–	1,204,497
– write back of accumulated depreciation	201,107	–	201,107
Depreciation for year	(7,503)	(7,451)	(14,954)
Closing net book value	1,950,000	55,207	2,055,207
At 30 June 2018			
At cost or revaluation	1,950,000	171,395	2,121,395
Accumulated depreciation	–	(116,188)	(116,188)
Net book value	**1,950,000**	**55,207**	**2,005,207**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. PROPERTY, PLANT AND EQUIPMENT *(continued)*

During the year to 30 June 2018 the Directors obtained three independent valuations of the property and subsequently revalued the property to reflect its fair value - as a consequence depreciation previously written off was written back and the cost basis was revalued to £1,950,000.

The fair value of the Group's freehold property is considered to be within the Level 3 fair value hierarchy of non-financial assets measured at fair value on a recurring basis as of 30 June 2018. The valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and building, and the comparable prices in the corresponding property location. (IFRS13.27 and 29)

In estimating the fair value of this property, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's freehold property indicated above is its current use.

The fair value of this freehold property was determined using an adjusted sales comparison approach. The fair value of the freehold property has been derived from observable sales prices of similar land and buildings in the local market. The estimated costs of completion, including a reasonable profit margin a market participant would require, has then been deducted to give estimate of the current fair value of the freehold property. (IFRS13.61)

The revaluation surplus, net of applicable deferred income taxes, is presented as part of the Revaluation Reserves account in the equity section of the statement of financial position. IAS 16.77(a-d)

9. INVESTMENT IN ARTWORK AND INVESTMENT IN ARTWORK HELD FOR RESALE

During the year to 30 June 2018 the Directors decided to offer the painting held as an investment, and acquired in April 2013 for £500,000, for sale. Accordingly it has been reclassified to assets held for resale in the year ended 30 June 2018 at its fair value recognised. The Directors consider its fair value at 30 June 2018 to be £250,000 having obtained an independent valuation.

Other paintings owned by the Group are considered part of the fixtures and fittings of the property owned by the Group and are treated accordingly (see note 8).

10. INTANGIBLE ASSET

During the year to 30 June 2016 a loan from Lloyds Bank plc was refinanced. Loan arrangement fees of £150,000 were incurred. These fees were capitalised as an intangible asset and were being amortised over the life of the loan on a straight line basis. As the loan was repaid during the year the fees were fully amortised at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

11. INVESTMENT IN 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 2018 and 30 June 2017. Details of holdings etc. as at 30 June 2018 and 30 June 2017 respectively are given below:

As at **30 June 2018**	**Number of shares**	**Nominal value**	**Net assets £'000**	**Profit / (loss) before tax £'000**
Investment companies				
El Oro and Exploration Company Limited	10,776,501	ord. 5p shares	10,682	(794)
Investigations & Management Limited	5,000	ord. £1.00 shares	993	14
Dormant companies				
El Oro Mining and Exploration Company Limited	4,511,135	ord. 10p shares	454	–
General Explorations Limited	1,000,000	ord. 5p shares	50	–
Group Traders Limited	30,040	ord. 5p shares	2	–

As at **30 June 2017**	**Number of shares**	**Nominal value**	**Net assets £'000**	**Profit / (loss) before tax £'000**
Investment companies				
El Oro and Exploration Company Limited	10,776,501	ord. 5p shares	10,327	3,047
Investigations & Management Limited	5,000	ord. £1.00 shares	967	242
Dormant companies				
El Oro Mining and Exploration Company Limited	4,511,135	ord. 10p shares	454	–
General Explorations Limited	1,000,000	ord. 5p shares	50	–
Group Traders Limited	30,040	ord. 5p shares	2	–

12. TRADE AND OTHER RECEIVABLES

	30 June 2018 £	30 June 2017 £
Trade receivables - amounts due from brokers	**362,462**	599,659
Other receivables	**199,873**	218,557
	562,335	818,216

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)*

13. 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 2.4.

The table below shows the fair value hierarchy of the Group's financial assets held at fair value through profit or loss.

	30 June 2018 **£**	30 June 2017 £
Level 1 - quoted prices (unadjusted)	**45,110,529**	49,760,946
Level 2 - observable price inputs	**2,647,631**	2,130,329
Level 3 - unobservable price inputs	**7,793,415**	11,707,729
	55,551,575	63,599,004

Reconciliation of fair value measurements in level 3	**30 June 2018** **£**	30 June 2017 £
Opening balance	**11,707,729**	10,300,108
Acquisitions	**1,146,215**	2,027,091
Disposal receipts	**(1,368,269)**	(1,455,393)
Transfers (out of) / in to Level 3 as observable market data became (unavailable) / available	**(1,205,643)**	1,394,165
Total (losses) included in the Consolidated Statement of Comprehensive Income		
on assets sold	**231,740**	(365,066)
on assets held at the year end	**(2,718,357)**	(193,176)
Closing balance	**7,793,415**	11,707,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. FINANCIAL LIABILITIES – BORROWINGS AND DERIVATIVES

	30 June 2018 £	30 June 2017 £
Current		
Financial liabilities at fair value through profit or loss	**2,719,192**	3,094,600
	2,719,192	3,094,600

	30 June 2018 £	30 June 2017 £
Non-current		
Borrowings	–	4,600,000
	–	4,600,000

The bank loan of £4,600,000 was repaid in May 2018. In June 2018 Lloyds Bank plc terminated the swap contract disclosed above as a financial liability at fair value to profit or loss. As a result the liability is repayable in November 2018.

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.

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.

The subsidiary company El Oro and Exploration Company Limited has a line of credit for commodity forward contracts with Lloyds Bank 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 2018 £nil (30 June 2017: £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.

15. TRADE AND OTHER PAYABLES

	30 June 2018 £	30 June 2017 £
Other payables	**11,544**	218,614
Accruals	**821,729**	265,571
Unclaimed dividends	**81,310**	83,135
	914,583	567,320

Included in accruals as at 30 June 2018 are the staff retention bonus provision, see note 4, (2017 - £nil) and a provision for corporate finance advice of £300,000 (2017 - £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. CURRENT TAX LIABILITY

	30 June 2018	30 June 2017
	£	£
Corporation tax	**240,190**	716,280

17. DEFERRED TAX LIABILITIES

	30 June 2018	30 June 2017
	£	£
Opening balances at the beginning of the year	**1,801,197**	2,384,950
Tax effects on:		
Net gains on investments	**(507,367)**	(583,753)
Revaluation of property (see note 8)	**297,574**	–
Closing balances at at the end of the year	**1,591,404**	1,801,197

Deferred tax is calculated in full on temporary differences under the liability method using the rate at which the deferred tax is expected to reverse which for the gains on investments is expected to be 17% (2017: 19%).

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.

18. CASH AND CASH EQUIVALENTS

	30 June 2018	30 June 2017
	£	£
Cash available on demand	**765,187**	913,260
	765,187	913,260

19. COMMITMENTS AND CONTINGENT LIABILITIES

Within the normal course of business, the Group has committed to subscribe for securities. As at 30 June 2018 this commitment totalled £314,000 (2017: £221,000).

20. SHARE CAPITAL

	30 June 2018	**30 June 2018**	30 June 2017	30 June 2017
	No.	**£**	No.	£
Authorised	**unlimited**	**unlimited**	unlimited	unlimited
Issued and fully paid Shares with no par value	63,173,398	434,906	63,173,398	434,906
Held in Treasury	260,045	199,428	260,045	199,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. EQUITY AND RESERVES

	Capital £	Share premium £	Capital redemption reserve £	Merger reserve £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 July 2016	437,732	6,017	356,815	3,564	–	49,794,755	50,598,883
Profit for the year	–	–	–	–	–	6,792,079	6,792,079
Purchase and cancellation of own share units	(2,826)	–	2,826	–	–	(194,306)	(194,306)
Dividends (net)	–	–	–	–	–	(1,515,926)	(1,515,926)
As at 30 June 2017	434,906	6,017	359,641	3,564	–	54,876,602	55,680,730

	Capital £	Share premium £	Capital redemption reserve £	Merger reserve £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 July 2017	434,906	6,017	359,641	3,564	–	54,876,602	55,680,730
Loss for the year	–	–	–	–	–	(1,599,603)	(1,599,603)
Revaluation of property	–	–	–	–	1,108,030	–	1,108,030
Dividends (net)	–	–	–	–	–	(1,520,222)	(1,520,222)
As at 30 June 2018	434,906	6,017	359,641	3,564	1,108,030	51,756,778	53,668,935

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.

Revaluation reserve
The revaluation reserve was created during the year ended 30 June 2018 to account for the revaluation of the freehold property to fair value net of deferred taxes.

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 ended 30 June 2017 the Company purchased and cancelled 282,592 issued shares. This resulted in a decrease in Capital of £2,826, an increase in Capital redemption reserve of £2,826 and a decrease in Retained earnings of £194,306 as disclosed above. No similar transactions occurred for the year ended 30 June 2018.

22. NET ASSETS PER SHARE

The net assets per Share figure is based on net assets of £53,668,935 (2017: £55,680,730) divided by 63,173,398 (2017: 63,173,398) Shares in issue at the year end (not including Treasury shares held by the Company).

23. CASH FLOW – MATERIAL NON-CASH INVESTING AND FINANCING ITEMS

There were two material non-cash investing and financing items during the year (2017: none). These related to the revaluation of the freehold property, £1,108,029 after tax (see notes 8 and 6.2) and the impairment of the investment in artwork (see note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. 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 £381,896 (2017: £336,076) paid by the Group to the Directors in respect of services to the Group. Full details of the compensation for each Director are provided in the Directors' report on pages 9 and 10.

During the year the Group purchased goods amounting to £2,545 (2017: £2,280) from Danby Registrars Limited, a company wholly owned by CRW Parish, an executive Director of the Company. During the same period the Group paid Danby Registrars Limited £2,640 (2017: £nil) for archiving services. The Group also reimbursed CRW Parish £2,255 (2017: £2,255) and Danby Registrars £720 (2017: £720) for costs incurred in connection with a Group 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 Group for the use of the property during the year to 30 June 2018, this amounted to £625 (2017: £979). No amounts remain outstanding at the year ended 30 June 2018 (2017: £nil).

JA Wild is the Chairman of James Halstead plc, a stock held in the portfolio.

25. 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 2018, based on the earliest date on which payment can be required to be made was as follows:

As at 30 June 2018	**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	–	**2,719**	–	–	**2,719**
Other payables	**915**	–	–	–	**915**
	915	**2,719**	–	–	**3,634**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

The contractual maturities of the financial liabilities at 30 June 2017, based on the earliest date on which payment can be required to be made as follows:

As at 30 June 2017	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	–	–	–	3,095	3,095
Bank loan	–	–	4,600	–	4,600
Other payables	567	–	–	–	567
	567	–	4,600	3,095	8,262

As disclosed in Note 14, Lloyds Bank plc terminated the 20 year swap which was held with them such that it is now repayable in November 2018 rather than in May 2029 as originally intended.

Fair values of financial assets and financial liabilities
The purpose of the following table is to summarise the fair and carrying amounts 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 2018 Fair and carrying amounts £	30 June 2017 Fair and book value £
Financial assets		
Cash at bank	**765,187**	913,260
Financial assets at fair value through profit or loss		
Quoted fair value investments	**46,033,506**	50,673,975
Unquoted fair value investments	**9,518,069**	12,925,029
	56,316,762	64,512,264
Financial liabilities		
Interest rate swaps	**2,719,192**	3,094,600
Bank loan	–	4,600,000
	2,719,192	7,694,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

The interest rate swaps comprises one outstanding interest rate swap £10 million fixed at 4.1% over 20 years with Lloyds TSB Bank plc.

In the event that the swap had been closed on 30 June 2018 it would have realised a loss (valued by Lloyds Bank plc) of £2,719,192 (2017: loss of £3,094,600). This amount has been recognised as a financial liability at fair value in the consolidated financial statements under IFRS.

The interest rate swap will require settlement during November 2018 as the bank has terminated the interest rate swap contract.

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 increasing or decreasing by £2,777,579 (2017: £3,179,950) or 5.2% (2017: 5.7%) and the consolidated statement of comprehensive income increasing or decreasing by £2,777,579 (2017: £3,179,950).

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. To mitigate the Group's exposure to foreign currency risk, non-British Pound cash flows are monitored closely and enters into forward foreign currency contracts if necessary to mitigate the exchange risk for certain foreign currency payables. However, the Group does not adopt any hedge accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

	30 June 2018 £'000	30 June 2017 £'000
Key currencies		
Australian dollar	**1,826**	1,946
Canadian dollar	**3,360**	4,595
Malaysian ringgit	**2,134**	2,099
South African rand	**603**	573
US dollar	**5,763**	6,988
	13,686	16,201
Other currencies		
Euro	**333**	383
Japanese yen	**533**	427
	866	810
	14,552	17,011

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	**2018 £'000**	2017 £'000	Change in currency rate (%)	**Effect on net assets 2018 (£'000)**	Effect on net assets 2017 (£'000)
Australian dollar	**1,826**	1,946	5	**91**	97
Canadian dollar	**3,360**	4,595	5	**168**	230
Malaysian ringgit	**2,134**	2,099	5	**107**	105
South African rand	**603**	573	5	**30**	29
US dollar	**5,763**	6,988	5	**288**	349
	13,686	16,201		**684**	810
Other currencies	**866**	810	5	**43**	40
	14,552	17,011		**727**	850

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 £727,000 or 1.3% (2016: £850,000 or 1.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. 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 £nil (2017: £4,600,000 (see note 14) 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 £nil or 0% on net assets (2017: £46,000 or 0.1% 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 November 2018 when interest rate swap terminates as a result of a decision by Lloyds Bank plc).

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

	30 June 2018 Fixed rate at fair value £	30 June 2017 Fixed rate at fair value £
Fixed rate notes (assets)	**888,270**	846,744

The effective interest rate on these financial assets is 7.0% (2017: 8.1%).

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 £9.5 million or 17.1% (2017: £12.9 million or 20.3%) 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 (2018 and 2017: £nil). 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 £9,518,069 or 17.1% (2017: £12,925,029 or 20.3%) of the total portfolio on a fair value basis. These unquoted investments are held at valuations determined by the Directors, as discussed in note 2.4.

The Group's capital at 30 June 2018 comprises equity share capital, reserves and debt as shown in the consolidated statement of financial position at a total of £53,668,935 (2017: £60,280,730). 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)*

26. SUBSEQUENT EVENTS

In accordance with IAS 10 Events after the end of the reporting period, 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 2018.

The Board has resolved to pay a final dividend of 2.54 pence for the year-ended 30 June 2018 on 26 November 2018 to Members registered on the books of the Company at the close of business on 26 October 2018.

27. 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 2018 £**	**Subsidiary 30 June 2018 £**	Company 30 June 2017 £	Subsidiary 30 June 2017 £
Revenue	**920,485**	**435,854**	980,540	503,170
Net (losses) / gains on investments	**(591,121)**	**(80,691)**	4,155,713	3,790,819
Total income / (loss)	**329,364**	**355,163**	5,136,253	4,293,989
Expenses	**(1,227,256)**	**(613,836)**	(946,547)	(316,893)
Loss before finance costs and taxation	**(897,892)**	**(258,674)**	4,189,706	3,977,096
Interest expense	**67,562**	**(529,851)**	(45,335)	(694,780)
Profit before taxation	**(830,330)**	**(788,525)**	4,144,371	3,282,316
Taxation	**(16,043)**	**35,294**	(14,855)	(619,753)
Loss (profit) for the financial year	**(846,373)**	**(753,231)**	4,129,516	2,662,563
Other comprehensive income				
Items that will not be reclassified to profit and loss (net of taxation)	**–**	**1,108,029**	–	–
Total comprehensive income	**(846,373)**	**354,798**	4,129,516	2,662,563

OFFICERS AND ADVISERS

27. OPERATING SEGMENTS *(continued)*

Statement of financial position at 30 June	**Company 30 June 2018 £**	**Subsidiary 30 June 2018 £**	Company 30 June 2017 £	Subsidiary 30 June 2017 £
Non-current assets				
Property	–	**1,950,000**	–	551,899
Plant and equipment	–	**55,207**	–	59,348
Investment in artwork	–	–	–	500,000
Intangible asset	–	–	–	18,400
Investment in subsidiary	**538,825**	–	538,825	–
	538,825	**2,005,207**	538,825	1,129,647
Current assets				
Investment in artwork held for resale	–	**250,000**	–	–
Trade and other receivables	**4,018,917**	**1,596,141**	1,596,582	1,429,795
Investments held at fair value	**38,255,228**	**17,296,347**	42,868,675	20,730,329
Cash and cash equivalents	**478,181**	**287,006**	466,141	447,119
	42,752,326	**19,429,494**	44,931,398	22,607,243
Current liabilities				
Financial liabilities				
Financial liabilities at fair value	–	**2,719,192**	–	3,094,600
Trade and other payables	**530,762**	**5,437,188**	334,665	2,440,812
Current tax liabilities	–	**240,190**	–	716,280
	530,762	**8,396,570**	334,665	6,251,692
Net current assets	**42,221,564**	**11,032,924**	44,596,733	16,355,557
Non-current liabilities				
Deferred tax liabilities	–	**1,591,404**	–	1,801,197
Bank loan	–	–	–	4,600,000
	–	**1,591,404**	–	6,401,197
Net assets	**42,760,389**	**11,446,727**	45,135,558	11,084,001
Stockholders' equity				
Ordinary stock units	**434,906**	**538,825**	434,906	538,825
Share premium	–	**6,017**	–	6,017
Capital redemption reserve	**12,239**	**347,402**	12,239	347,402
Merger reserve	–	**3,564**	–	3,564
Revaluation reserve	–	**1,108,029**	–	–
Retained earnings	**42,313,244**	**9,442,890**	44,688,413	10,188,193
Total equity	**42,760,389**	**11,446,727**	45,135,558	11,084,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. 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 2018 £	**Gross income to 30 June 2018 £**	Value of investments at 30 June 2017 £	Gross income to 30 June 2017 £
Africa	**603,314**	**10,199**	572,504	9,536
Asia	**2,667,836**	**43,775**	2,526,217	41,157
Australia & New Zealand	**1,825,556**	**15,548**	1,945,564	32,271
Europe	**332,698**	**49,792**	382,741	17,283
North America	**9,122,842**	**129,102**	11,584,216	187,625
United Kingdom	**40,999,329**	**1,104,260**	46,587,762	1,190,925
	55,551,575	**1,352,675**	63,599,004	1,478,797

OFFICERS AND ADVISERS

El Oro Ltd (Guernsey)	El Oro and Exploration Company Limited (UK)
DIRECTORS* CRW Parish, M. A. (Oxon) (Chairman) RAR Evans SB Kumaramangalam RE Wade JA Wild * The Directors were all appointed on 9 December 2008.	**DIRECTORS** CRW Parish, M. A. (Oxon) (Chairman) EW Houston DRL Hunting RE Wade JA Wild
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SECRETARY Aztec Financial Services (Guernsey) Limited Contact: Chris Copperwaite	**SECRETARY** U Ni Dhonaill

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