**Chairman’s statement**

The Board has resolved to pay a final dividend of 2.405 pence, which is 65% of last year’s payment, on 27 November 2015 to Members registered on the books of the Company at the close of business on 30 October 2015. In the light of the Chancellor’s attack on Dividends, and the impending removal of tax credits in April 2016, the Board will review the situation early in 2016, and in the light of the company’s progress at that time, consider the payment of an interim dividend prior to the end of the 2015-2016 tax year.

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

The El Oro Group’s loss before tax for the year-ended 30 June 2015 was £11,338,951 (profit before tax for the year-ended 30 June 2014 was £8,455,612). The Group’s net assets at 30 June 2015 were £51,827,562 or 80.5 pence per Share (30 June 2014 were £65,017,817 or 100.9 pence per Share).

Undoubtedly the patience of shareholders will be wearing thin, contemplating another set of desperately disappointing results: that many in the Mining and Precious metals sector have fared even worse is of scant comfort.

The Board is cognisant of the reality that companies with the heaviest debt burdens have suffered most severely in recent years, amongst which the example of Glencore comes to mind, floated with such a fanfare only three years ago. The vaunted ‘Commodities Supercycle’ having subsided into a ‘Sit up and Beg’ bicycle with broken spokes and flat tyres.

We have therefore taken steps to reduce our level of indebtedness, the injudicious legacy of more buoyant times. The current level of borrowings net of cash is around £13 million, well down on last year; it is the Board’s current intention that this be reduced to nil over the course of the next 3 years.

Concomitant with the reduction in debt, the Board has also resolved to reduce the total number of stocks to closer to the 100 mark. We have over many years held a larger number of stocks than many of our contemporaries, partly as the legacy of spin-outs and small holdings of Preference shares, quite often acquired many years ago. Some of these produce a steady flow of Preference income, with the minimum of supervision required. It is our intention to retain such holdings, treated as a group, but to reduce the smaller and higher maintenance holdings, where a greater degree of observation is required. A start has been made, and in the course of the last few months, the total number of holdings has been reduced from 370 to around 322. This process is subject to market conditions, and may slow to a trickle at times of market volatility, such as now, but will be pursued over the 3 year period towards its ultimate goal.

In conjunction with these two objectives, the running costs of the business have been and continue to be scrutinised for further savings.

Sadly we have bid farewell to Melwin Mehta after several years of sterling service, but in a more expansive era. In a time of greater austerity, we are obliged to cut our cloth accordingly. Every attempt is being made to reduce costs to a minimum, without cutting into the bone of the company.

Losing a member of the team obviously reduces the number of ‘eyes’ to monitor the market, but at a time of a very substantial reduction in new issues, with the mining market in particular having lost its appeal for most investors, running a smaller and more compact portfolio should of itself in due course increase the simplicity of the structure, and hence assist in the reduction in costs.

These are the main determinants of our strategy at the current time. We have been grateful to receive suggestions from several shareholders over the past few months, and will endeavour to investigate and implement those ideas that would seem most favourable to the future well-being of your company.

Ultimately your company is at the mercy of markets which are currently ill-disposed to many of its traditional areas of investment: this may well change in due course, but an element of patience is needed, whilst our revised policies take effect, and the tide turns for Gold, energy and our other interests.

In the meantime, we will seek out secure sources of income from larger cap stocks, which have previously not been well represented in our portfolio.

It would be too simple to succumb to despair, when so many of the stalwarts of the portfolio remain battered and bowed, and seemingly unresponsive to events, exemplified by the failure of Gold to do more than a hesitant huff: Oil and its producers or explorers, Palm Oil, Gold, Silver, Platinum, most of the Metals, Diamonds, Dairy and Grain prices, along with Potash and other fertilisers all reflect surplus production and stagnant or falling demand.

Amongst those to have suffered are our holdings in the Platinum producers, once the wonder metal powering catalytic converters for many of the Motor industry’s automobile engines, but now riven by labour strife in South Africa, and the failure of the bigger mines to improve efficiency when the going was good.

The decline and fall of Volkswagen, following the disclosures of its falsification of emission figures on its diesel engines in the United States, despite the paltriness of its market share in that country, may well be a symptom of a rotten corporate culture, and ultimately unsatisfactory example of State and Union control, but it has severe implications for Platinum demand.

If demand for Diesel cars falls as a result of these misdemeanours, so will demand for Platinum, despite the undoubted benefits of diesel’s lower carbon emissions. As optimists and admirers of the advantages of diesel for many years, we are inclined to hope that usage of platinum may ultimately increase, as engines are adapted to reduce particulate and nitrogen oxide emissions, rather than to hoodwink testing devices. At present the market is predicting further pain for Platinum producers, and our once substantial holdings are hugely diminished.

Our Palm Oil producers, whilst in the case of MP Evans benefitting from buoyant Beef prices in Australia, have seen a tumble in the Palm Oil price, whilst the re-emergence of El Nino has led to falls in production, especially in the case of REA Holdings. The recent sale by MP Evans of its wholly-owned Cattle farm in Australia will help fill its coffers, and may well be followed by additional disposals. We congratulate the management on their perseverance in this process and success thus far.

Whilst we were happy to see Sirius Resources, a bonanza West Australian Nickel discovery, being bid for by Independence, the assault on metal prices generally has pared back our gains; recalling our success 50 years ago with early stage investments in Western Mining, we are inclined to hold on for an eventual uplift.

Troy, facing a steep decline in the Silver price, whilst its Casposo mine goes deeper into higher grades of silver relative to Gold, combined with delays to the start-up of its Karouni mine in Guyana, has plumbed new lows; its recovery very much depends on a more advantageous price for gold, and its ability to produce ounces economically and in quantity from its new mine. Many of the other Gold producers within the portfolio are in similar straits, even where, as in the case of Aureus in Liberia, production has commenced in the face of a variety of challenges, not least of which was Ebola.

We have pared away many of the most miserable of the remainder wherever possible, where there is little prospect of an early recovery. In the current climate, of substantial declines across the board in the Commodity sector, we would expect the first port of call for new investment to be in the Majors, many now yielding, perhaps with an element of hope included, in excess of 5 or 6% both amongst the Mega mining companies such as BHP and Rio Tinto, but also in the energy sector, Royal Dutch Shell and BP. It would seem more sensible to pick up some seeming bargains in those areas, rather than expect manna from heaven amongst the minnows.

All is not gloom in the Resource sector, and we congratulate again, at the risk of blighting his progress, Colin Orr-Ewing and his team, on the signing of a Memorandum of Understanding with Tesla for Lithium from Bacanora’s mine in Mexico. We also harbour hopes for one or two other of our Lithium investments, but are studiously not counting any chickens before hatching.

Once again amongst the high-achievers of the portfolio, Young and Co have produced stellar results amidst a sublimely sunny April and early Summer; more is to be hoped for if the Rugby World Cup lives up anywhere near to expectations.

Fuller, Smith and Turner, their neighbours and rivals, continue to thrive, as does Shepherd Neame, with excellent recent results, and we continue to see good gains amongst our property holdings such as McKay, Palace Capital, and Mountview.

Conygar appears to have fallen asleep, although with luck might surprise us all with a sudden burst of activity. James Halstead sails serenely forwards towards its 100th anniversary. Phoenix has thrived, despite tighter Capital requirements, and would seem a more secure Landing Field than the cess-pit of RBS, wither its Chairman has now flown.

Fred Grimwade’s Select Harvests has exceeded all expectations in its production of almonds in Australia’s Victoria, and proved a ray of sunshine from the land Down Under; it is salutary to consider that only a few years ago, Mr Rudd’s Carbon Tax was going to bring a raft of benefits to the non-working people of Australia, only to see the Golden Goose succumb to disease a few years later, and the companies that were due to pay it struggling to survive. 5 Prime Ministers later, with the blood yet to dry from the most recent political assassination of Tony Abbott, Australia has yet to reconcile the decline in its income from the Resource sector, with the demand on its Benefits structure and the need for far more swingeing cuts in expenditure.

Sadly Mr. Obama’s obeisance to Climate Change has decreed the death of a whole swathe of the American Coal mining sector: one wonders what Woody Guthrie would sing today in the face of the desolation of entire communities and a way of life, in favour of a theory formulated by the fringe fanatics that has taken hold across the Western world and, in many cases, on the flimsiest of conflicting evidence. The re-naming of Mount McKinley as Mount Denali announced by the President has an element of irony, over and above the elimination of a former President, as its name is shared by one of the United States’ most conspicuous gas-guzzlers, the General Motors Denali.

The enormous wealth Coal and Oil have brought to individuals and to all mankind seems to have provoked the eco-lobby into a frenzied zeal to eliminate every vestige of prosperity and atone for it in hair shirt austerity for eternity. The collapse of Drax’s plans to build a plant for Carbon Capture is an example within Britain of the destruction caused by obeisance to green flim-flam theories, as to some extent is the Redcar steel plant in Tyneside, where the cost of Carbon credits is a contributory factor in its demise, and the Emissions pricing is 5 to 10 times higher than in France or Germany.

Eggborough and Longanett power stations are due to close in 2016, removing 5% of the UK’s electrical production capacity. The courting of China to provide finance and expertise for the building of Hinkley point Nuclear power station raises ethical and financial questions, in view of China’s record on human rights, and also its ability to manage its financial affairs with transparency and integrity. The reality is that coal will provide 60% of the World’s power for many years to come, and perhaps it would be more sensible to make its production as safe and clean as possible, in the light of that fact. Perhaps Algy Cluff’s coal-to-gas extraction process is worthy of closer consideration.

An ‘Arctic Plume’ has swept across England, in recent weeks, bringing to an end many glorious days of sunshine, coincident with the infinitely more tragic news that Palmyra the beating heart and soaring symbol of Western Civilisation has succumbed to the murderous and inane Icicles, iconoclasts and assassins, at the same time markets around the world tumble and tremble at the revelation of the slow-down in China. As the Psalmist says in Psalm 73 vv 6-8, *‘But now they break down the carved work thereof at once with axes and hammers. They have cast fire into thy sanctuary, they have defiled by casting down the dwelling place of thy name to the ground. They said in their hearts, Let us destroy them together: they have burned up all the synagogues of God in the land.’*

The flood of refugees pouring into Greece, Hungary and other destinations poses an existential threat to the cultural and ultimately political integrity of the EU countries on their horizon; the question must be posed whether Syrian refugees should not stay in their country and oppose the upsurge of ISIS, so keen to recruit from within the shores of Britain. It is unappealing to those of a more phlegmatic nature to see serried ranks of seemingly fit and well-dressed young men attempting to burst through the boundaries of Europe; and also questionable whether Germany, or indeed Europe can realistically cope with such an influx of people from so many different backgrounds and of variable qualifications.

It is exacerbated by the knowledge that much of the financing for the opponents of President Assad comes from Qatar and the Gulf States, who are not foremost in those countries offering asylum. Whatever the causes, it would appear to us that offering asylum to those prepared to risk the passage to the shores of the English Channel or boundaries of Greece, can only reinforce the desire and attraction for many others to make their way to the Mecca of Germany or Britain, and its largesse of benefits. It would seem more appropriate in the context of Britain’s Christian heritage to consider asylum for those believers in particular, who have suffered so grievously over the past several years, in both Iraq and Syria.

We are now light years away from the exhilaration and excitement of megamergers in the mining sector, and those with the largest debts are being punished remorselessly; the on-off prospect of rises in Interest rates, either in the US or UK, or indeed both have restrained sentiment, and the prolonged negotiations over Greece’s Debt reduction have tarnished the reputation of the European Union and its leaders.

Whilst some still believe that a European Union led by German discipline will deliver us and even Greece, to the Broad Sunlit uplands of Churchill’s vision, we have a frailer belief in the power of politicians to overcome age-old animosities and national characteristics. Indeed, we would favour a British departure from the embrace of the EU, although we do not underestimate the determination of Mr Cameron to keep us within its sway, without any substantive change in our obligations towards it. Having gained power to its surprise, if not to that of the architect of its victory Lynton Crosby, the policies outlined in the Budget leave us wondering whether we have not inadvertently elected a Labour party, as the top rate of tax is retained at 45%, the ‘Living Wage’ is increased by a huge factor, which will do huge damage to the pub sector, and we suspect to the entire service sector; also the on-going influx of immigrants, 300,000 at the most recent count, will apply pressure on the market for labour, which is likely to lead to conflict between availability and the pre-determined price set by the State.

We had not anticipated moving back into a world of wage controls, as now applied by Mr. Osborne whilst Sunday becomes yet more beholden to the masters of Mammon. Worse still, his removal of the Tax credit on Dividends is a direct assault on Capitalism, and likely to prove very costly for anyone who has seen fit to invest and is now looking forward to reaping the rewards. Add to that his continuing attack on the Pensions of privately-employed people, and even more malign, the removal of interest being allowable against income on buy-to-let properties, severely threatening that sector, previously one of the most profitable in the whole area of private investment. This is not the world we had reason to hope might emerge after a Conservative election victory, rather a mish-mash of re-heated Socialist dogma, instead of liberating the economy from high and complex taxes, and shrinking the size of the State.

The gargantuan folly of HS2 seems set to roll remorselessly forward through the Chilterns, even if Network Rail is unable to complete a range of repairs and renovations anywhere close to its budget: Meanwhile, an additional Runway at Heathrow remains pie in the sky.

The only crumb of comfort to be gleaned is that spending on defence is to be modestly increased, although with the Chinese now developing the DF-21D missile, capable of destroying an Aircraft Carrier, we wonder what use the two being built for Britain may prove in due course.

Amongst the harbingers of gloom, we see the hesitation and reluctance of the Federal Reserve to raise interest rates, and the warnings of leading bankers that the new regulatory regime threatens the ability of banks to increase lending for industry; and that it might well have the perverse effect of increasing, rather than diminishing risk. This is combined with the on-going malaise and slowdown in China, and the absence of any further firepower in the Central Banks’ armoury, after it has been squandered on Quantitative Easing. Many believe the Bull market since 2009 is now long in the tooth, and due for a correction although there are very tentative signs of a smidgeon of a recovery in the gold miners.

Despite so many sad or grim portents, and the most recent decline in markets around the world, we think pertinent Mr. Buffet’s remarks from his Shareholders letter in 1994: *“Fear is the foe of the Faddist but the friend of the fundamentalist”*.

This fits well with Chris Mayer’s remit: *“look for good businesses that can compound capital at a good rate over a long time, run by honest and talented people (who are also owners) and aim to hold them for years”*.

As Isaiah says, Chapter 56: *“Thus saith the Lord, Keep ye judgment, and do justice: for my salvation is near to come, and my righteousness to be revealed. Blessed is the man that doeth this, and the son of man that layeth hold on it; that keepeth the Sabbath from polluting it and keepeth his hand from doing any evil.”*

We are most grateful for the commitment and performance of Steven, Abbie and Nick, along with our exemplary Chris Copperwaite from Dexion, and his colleagues. We are also very grateful to Tony Burnell of Lloyds, and his support to us over the past several years. We wish him well in the area on which he now concentrates, along with his son’s aspirations in cricket and soccer.

My gratitude and thanks as ever to my experienced and prescient Board, and especially to my wife Lucinda and her ongoing support. I am sure they are all equal to the challenges ahead, as I trust are our shareholders, despite the disappointments of the past few years. Whilst no quick fixes are promised, we continue to hold a good spread of excellent businesses, to which we will continue to add when opportunities occur and as debt is reduced.

Whilst our cricketers have surprised us with their success, our ever-dependable oarsmen and women have once again lived up to the high expectations we now place upon them: it remains to be seen whether our Rugby players can make it a trio of successes. Go, Britain!

Robin Woodbine Parish

28 September 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 30 June

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **30 June 2015** |  | 30 June 2014 |
|  | **£**  |  | £  |
| Revenue | **1,594,264** |  | 1,856,905 |
| Net (losses) / profits on investments | **(10,106,417)** |  | 9,598,350 |
| **Total (loss) / profit** | **(8,512,153)** |  | 11,455,255 |
| Expenses | **(1,558,728)** |  | (1,659,762) |
| **(Loss) / profit before finance costs and taxation** | **(10,070,881)** |  | 9,795,493 |
| **Finance costs** | **(1,268,070)** |  | (1,339,881) |
| **(Loss) / profit before taxation** | **(11,338,951)** |  | 8,455,612 |
| Taxation | **537,826** |  | (688,534) |
| **(Loss) / profit for the financial year and total comprehensive income** | **(10,801,125)** |  | 7,767,078 |
| **Basic (loss) / profit per share** | **(16.8p)** |  | 12.0 p |
|  |  |  |  |  |  |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2015** |  | 30 June 2014 |
|  | **£**  |  | £  |
| **Opening capital and reserves attributable to equity holders** | **65,017,817** |  | 59,720,657 |
| Total comprehensive income: (loss) / profit for the financial year | **(10,801,125)** |  | 7,767,078 |
| Decrease of equity to Treasury account | **(41,141)** |  | (158,287) |
| Dividends paid (net) | **(2,347,989)** |  | (2,311,631) |
| **Closing capital and reserves attributable to equity holders** | **51,827,562** |  | 65,017,817 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

at 30 June

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2015****£** |  | 30 June 2014£ |
| **Non-current assets** |  |  |  |
| Property, plant and equipment | **1,110,747** |  | 1,137,135 |
|  | **1,110,747** |  | 1,137,135 |
| **Current assets** |  |  |  |
| Trade and other receivables | **1,806,755** |  | 1,389,150 |
| Investments held at fair value through the profit or loss | **70,453,855** |  | 91,883,407 |
| Cash and cash equivalents | **6,350,739** |  | 308,383 |
| **Total current assets** | **78,611,349** |  | 93,580,940 |
| **Current liabilities** |  |  |  |
| Borrowings | **5,107,691** |  | 1,556,352 |
| Trade and other payables | **559,872** |  | 1,058,470 |
| Financial liabilities at fair value | **3,409,627** |  | 2,391,816 |
| Current tax liability | **305,642** |  | 19,490 |
| **Total current liabilities** | **9,382,832** |  | 5,026,128 |
| **Net current assets** | **69,228,517** |  | 88,554,812 |
|  |  |  |  |
| **Non-current liabilities** |  |  |  |
| Borrowings | **15,000,000** |  | 20,000,000 |
| Deferred tax liabilities | **3,511,702** |  | 4,674,130 |
| **Total non-current liabilities** | **18,511,702** |  | 24,674,130 |
| **Net assets** | **51,827,562** |  | 65,017,817 |
|  |  |  |  |
| **Capital and reserves attributable to equity holders** |  |  |  |
| Share capital | **447,145** |  | 488,286 |
| **Reserves** |  |  |  |
| Share premium | **6,017** |  | 6,017 |
| Capital redemption reserve | **347,402** |  | 347,402 |
| Merger reserve | **3,564** |  | 3,564 |
| Retained earnings | **50,023,434** |  | 64,172,548 |
| **Total equity** | **51,827,562** |  | 65,017,817 |

|  |  |  |  |
| --- | --- | --- | --- |
| Net asset value per share | 80.5 p |  | 100.9 p |

The Board of Directors approved and authorised the Group’s financial statements for issue on 28 September 2015.

Signed on behalf of the Board by: CRW Parish (Director) and RAR Evans (Director).

The Annual Report is available at [www.eloro.com](http://www.eloro.com)

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended 30 June

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2015** |  | 30 June 2014 |
|  | **£**  |  | £  |
| **Operating activities** |  |  |  |
| Net (loss) / profit before tax | **(11,338,951)** |  | 8,455,612 |
| **Adjustments for:** |  |  |  |
| Depreciation | **35,437** |  | 34,547 |
| Foreign exchange losses | **1,081,690** |  | 1,064,953 |
| Net unrealised losses / (gains) on fair value investments through the profit or loss | **5,225,469** |  | (9,247,394) |
| Finance costs | **1,268,070** |  | 1,339,881 |
| **Cash flow from operations before changes in working capital** | **(3,728,285)** |  | 1,647,599 |
|  |  |  |  |
| Movement in financial assets at fair value through the profit or loss | **16,087,375** |  | 4,317,768 |
| (Increase) / decrease in trade and other receivables | **(460,166)** |  | 1,482,624 |
| Decrease in trade and other payables | **(487,825)** |  | (50,915) |
| **Cash flow from operations** | **11,411,099** |  | 7,397,076 |
|  |  |  |  |
| Income taxes (received) / paid | **(251,674)** |  | 708,024 |
| **Cash flow from operating activities** | **11,159,425** |  | 8,105,100 |
|  |  |  |  |
| **Investing Activities** |  |  |  |
| Purchase of property, plant and equipment | **(9,049)** |  | - |
| **Cash flow used in investing activities** | **(9,049)** |  | - |
| **Financing activities** |  |  |  |
| Interest paid | **(1,278,843)** |  | (1,347,835) |
| Net dividends paid to Shareholders | **(2,347,989)** |  | (2,311,631) |
| **Cash flow used in financing activities** | **(3,626,832)** |  | (3,659,466) |
| **Net increase in cash and cash equivalents** | **7,523,544** |  | 4,445,634 |
|  |  |  |  |
| **Cash and cash equivalents - opening** | **(1,205,408)** |  | (3,829,278) |
| Effect of foreign exchange rate changes | **(75,088)** |  | (1,821,764) |
| **Cash and cash equivalents at 30 June** | **6,243,048** |  | (1,205,408) |