El Oro Ltd

Preliminary Announcement

**CHAIRMAN’S STATEMENT**

**18 December 2009**

The El Oro Group’s Consolidated Annual Accounts to 30 June 2009 will be mailed out this week and is available in pdf format on the Company’s website [www.eloro.co.uk](http://www.eloro.co.uk).

The El Oro Group’s loss before tax for the year ended 30 June 2009 was £30,381,174 (year ended 30 June 2008 was restated as a loss of £543,872). The Group’s net assets at 30 June 2009 were £51,810,400 or 480.8 pence per share (2008: £74,638,810 or 692.6 pence per share).

The Board has declared a first and only interim dividend of 14.0 pence per Share for the full year ended 30 June 2009, with the dividend to be paid on 23 December 2009 to Members registered on the books of the Company at the close of business on 4 December 2009, representing a 3.7% return on the mid-price at 30 September 2009.

The Group’s net asset value per Share (“NAV”) showed a decline over the year of 30.6% while the FTSE All Share Index was down by 23.9%.

The sight of surfacing submarines was hardly apparent in this set of figures, but has since dominated the skyline, and indeed the recovery of some stocks has replicated perhaps the only sighting ever of the launch of a Trident missile.

To repeat the name of those stocks has in the past been a recipe for sudden and almost immediate swoons, so we will follow the current trend for Redaction, other than to say several holdings are now very significantly ahead of the position at the end of June.

Following the Migration to Guernsey on April Fools’ Day, we have seen several stocks show increases in the underlying asset values, restoring some of the losses experienced during the turbulence of the second and third quarters.

The Hoovering of scrap metal from China has succumbed to the realities of the Global bust, and been replaced by the opened Spigot of Western largesse under the moniker of Quantitative Easing: this has accomplished the remarkable achievement of restoring the fecundity of those few Banks to have won the eye of the benevolent Mr. Bernanke, and the bonuses of their managers along with the seeming stability of the Western world. The Deadly sin of Envy, epitomised in Mr. Darling’s Budget review on 9 December, threatens to send those UK Bankers scurrying off-shore or off balance sheet; the Laffer Curve would be a more potent and worthwhile guide.

The pouches beneath the pelican beaks of the Banking and Automobile sectors have been filled to bursting with the largesse of governments, in Germany, the United States and Britain especially, and in consequence share prices have responded along with commodity prices.

Whilst car companies crush vehicles capable of millions of more miles, depriving the poorer sectors of society of the ‘trickle-down’ acquisition of a conveyance with their own cash rather than a company’s, real industries ignored in other areas struggle to survive; Iceland’s agreement to refund depositors of its failed Banks has a sinister resemblance to reparations after the defeat of Kaiser Bill; the British Government maintains its blithe insouciance towards any sort of fiscal or spending rectitude or restraint; at the same time as ostensibly having led the World out of its economic abyss.

Sadly very little cash has filtered through to industry beyond the bounds of City Finance houses and before long the reality that this exercise has been a process of delaying and obstructing, rather than implementing recovery, will become apparent.

The recent decision of the Scottish legal system to display its contempt for justice for mass murderers, has shattered the credibility of that small but vocal element of Scottish society seeking to break the 300 year old Act of Union, and all the benefits it has brought to both nations. This has generated condemnation to its morose progenitor and comrade, and more devastatingly, on the head of Britain. As we were told apropos our Garden, by a delightful and frank German visitor: ‘It has all gone haywire’; sadly that is the state of Britain today. There is no sign of an end to this systematic and also deliberate destruction wreaked on our noble and once eminent land.

The Glades, Groves and Glens of the Lot Valley and Scottish Highlands are resounding to the cry of the chain saw as blue-clad woodsmen cleave and cut supplies for the forthcoming winter; snow sprinkles the hill-tops surrounding Fort William, giving an early indication of the need for preparation and foresight; the corridors of Whitehall, however, remain silent or rather echo to the tread of myriad feet, and the empire emanating beyond its walls remains untouched and untroubled by the silent and increasing throttle of excess: most private businesses have pared their expenses and reduced employee numbers and costs by as much as 20% or more.

Working for no or delayed pay, prevalent after the break-up of the Soviet Union, may not be so far from happening in Britain today, in anywhere other than the public sector. Sadly, the Minimum Wage will remain as an impassable ceiling for a huge swathe of today’s youth, and many check-out tills are now manned by graduates with impressive degrees.

The Brownian woolly Mammoth remains impervious to the reality of recession and the imperative urgency of cutting a bloated and life-sapping public sector. Though inching towards reality, the Conservatives also claim that no drastic cuts of the Maggie genre are intended. The hoped-for reclamation and rebuilding of the Euston Arch after its recovery from a hole in the River Lee (whither the River Lee?) may well serve, if accomplished in time, as the epitaph for the impending departure of calamity Brown.

The Saxon Gold discovery makes a very modest recompense for the amount sold 10 years ago from Britain’s Reserves, and proves the enduring value of that metal, though illustrating the difficulty of stopping it falling into the wrong hands (such as those of the former Chancellor, whom one suspects will not be seen clad in woad and rushes, clutching a metal detector, seeking to regain his lost loot).

The sight of Bankers’ Bonuses and London House Prices once again on the rebound is a cause for alarm and despondency, not encouragement and exhilaration. We have no gripe with rewards for money earned, but we would rather see it from our industrial sector, and across the broad base of British industry, than once again concentrated at the pinnacle of the Finance sector.

We do not however, share Lord Turner’s sentiments, fluttering from his redundant citadel atop the Financial Services Authority, and his attempts to hobble and emasculate the city’s innovative and creative talent, rather than devising means of protecting the Retail Banks, their depositors and the tax payer. The memory of the demise of Barings, with its minimal effect on the economy other than its own shareholders, is obviously too distant to trouble the conscience of our new breed of regulators. Instead the Synecdochical sledgehammer is applied to the entire Banking system, to crack a problem created by a few uncontrolled innovators whose complex creations imploded long after their bonuses had been banked.

‘He who goes borrowing goes sorrowing’: Mr. Cheng, (head of China’s Green Energy drive), quoting Benjamin Franklin apropos fears of excessive US money printing. The abasement by our Government to the Green lobby and Europe, with the resultant closure of carbon fuelled power stations, without the simultaneous or prior construction of new Nuclear ones, jeopardises our own security and makes us hostage to the madman Gaddafi and his terrorist crew along with the truly ‘Socially Useless: regulators, bureaucrats and the State sector’, instead of being allied to wealth creators and innovators.

Happily for your portfolio, the Pub sector has to some extent stabilized, despite the obscene assaults on it by this pernicious Government, and stories and sights of an ever-increasing rate of closures. The swathe of boarded-up premises, and ‘For Sale’ signs sprinkled across the length and breadth of our fair land, on buildings both humble and distinguished, is truly appalling, being so very much wantonly inflicted by a Government with no concept of enterprise and devoid of wealth-creators and business builders. Yet another inquiry into the tie has achieved nothing and cost much, but the underlying strength of well-located pubs should uphold our holdings in the future. Happily several, especially Fullers and Youngs, show formidable strength.

Commercial Property has also appeared to stabilize, and risen from its lows since our year-end, and several perceptive investors have begun to reinvest in the sector. We would not expect gains from here to be rapid or substantial. The demise of Dubai, blindingly obvious in its excess to any other than those with sand in their eyes, is likely to further delay the recovery, if not accelerate an additional downturn.

Regrettably Kensington and Chelsea council have seen fit to approve a monstrous carbuncle adjacent to Cheval Place, whose views towards the Brompton Oratory and Natural History Museum are one of the sublime sights in London: this alongside an application for an all-night M Gentleman’s Club, an oxymoron if there ever was one.

The mining sector, decried amongst many investors as providing poor returns or a means of digging an item out of the ground only to store it there again with a guard at the top, has been for us the star performer.

Whether or not the Chinese recovery is sustainable, or the World economy genuinely recovering, metal prices have recovered almost across the board to levels thought to be almost unachievable only a few months earlier.

The Lodestone for us has been Gold, even though its performance has been exceeded by several other metals in its price such as Silver.

This comes as little surprise to those who have always believed that printed currencies have a life-cycle akin to that of a caterpillar, and reach a brief moment of glory as a butterfly before disappearing without trace. The Zimbabwean dollar is a case in point, where the introduction of a Rand/Dollar linked exchange has seen inflation fall to 6% from trillions, and the Zimbabwean dollar eliminated.

Gold at its present level above $1,000 per ounce makes a similar forecast for the future of the US$, not immediately, but inexorably and progressively. At some point the massive printing press unleashed by the Fed and its head, Mr. Bernanke, is likely to lead to a Dollar Demise, and even if current street protests against excessive spending by the Fed do not precipitate that day immediately, the continuing and accelerating loss of its purchasing power is inexorable.

We therefore take solace in our Gold positions, both physical and through our variety of companies located around the World.

It is pleasing to see the progress of Centamin in Egypt, and it is to be hoped the changes at Troy including the addition of your Chairman to the board, bode well for its future, and the development of its Argentine Gold Mine. A retreat from current exalted heights in the gold price is only to be expected at some stage, but this would not give us cause for despair, and whilst ‘this time it is different’ will not pass our lips, we firmly believe that the long Gold Bear market has ended, and the trajectory is now firmly upwards.

The cynics and sceptics can sneer but our new Cupolas will be gilded in Gold bought at a price 4 times higher than ten years earlier, which will still prove to be cheap in years to come.

As Margaret Thatcher memorably remarked: ‘the problem with Socialism is that sooner or later you run out of other people’s money’.

The Uxoricide committed by the Prime Minister on his previous wife, Prudence, after a long period of persecution, has brought that day perilously close in Britain, and the death-wish by politicians and postmen is dragging Britain ever closer to the precipice of National Bankruptcy, highlighted in a speech by the current head of the London School of Economics warning that Britain is living in a Fool’s Paradise. Far be it for us to demur from such a sagacious, acute and well-informed observer.

The disappearance of lavatory paper and mattresses from the shops of Cuba shows the power of Centrally planned economies to self-destruct, and perhaps light-bulbs of any wattage will soon share the same fate in England, on instructions from the former Communist Latvian apparatchik whose campaign has led to their being banned from sale in Europe. Lighting was never a strong point in Russian hotels, if our experience was anything to go by. That edict, together with the impending black-outs that will occur as a result of the British government’s agreed compliance with an EU instruction to close a large part of our Energy Generating capacity, will thus impair the ability of the subjugated citizens of the United Kingdom from reading yet more reams of regulations; a pertinent prelude to total darkness, whilst their houses are encased in ugliness to prevent heat escaping, and their views and improvements are taxed in case they have the temerity to enjoy the fruits of their endeavours.

Meanwhile Britain’s unelected leader continues leading Britain on the road to perdition aided by his Machiavellian master flitting from Russian yacht to the hospitality of hedge fund managers.

We noticed that the memoirs of Ronald Reagan, who brought Freedom to the Communist World, were on sale in Cazals, in the Lot valley, whilst President Obama’s memoirs are written before he becomes President, just as he wins the Nobel Peace Prize when in the midst of an unwinnable war he has endorsed. His only known achievement to date is to have swatted a fly. Not content with running the US car industry, he wishes to replicate the glories of the NHS and add health-care to the list of sectors under Government control in the United States.

Our scepticism of the ability of governments of any complexion to run a whelk store, let alone businesses of greater complexity, is profound and enduring: the example of Britain today, where businesses in our ken are replacing 2 receptionists with a screen monitor, yet the public sector is seen as sacrosanct from any sackings, is evidence of the dichotomy between people who pay and statists who receive.

We must extract ourselves from the European vipers’ nest of graft, grant and bureaucratic obstruction, especially at a time when the Irish have abandoned their hard-won independence for a mess of Soviet-style potage administered by the Brussels bureaucrats; thereby becoming indentured serfs in exchange for a promise of a miraculous recovery from the bust created by the Irish adherence to an absurdly inappropriate exchange and interest rate regime; thankfully they have avoided begging at the feet of the Emperor and Empress Blair, the perpetrator, in conjunction with his former accomplice in crime masquerading as Prime Minister, so deeply complicit in the humbling of Britain and woeful destruction of the British economy, not to mention its entire identity.

We rejoice not to see the prospect of this man strutting the European stage after enriching himself on the payroll of Banks and Government agencies, which together with ill-judged lending laws imposed by successive US governments sowed the seeds of the sub-prime collapse and the near-as-nothing bankrupting of the US and UK financial systems. The Blairs should withdraw from public life and enjoy their new status amongst the mega-rich, and leave the cauterising and shrinking of their state sector monoliths to a new generation.

The Belgian puppet will perform the further emasculation of Britain with notable anonymity, alongside his ex-CND colleague.

The semantic sophistry of the socialists and their suave sidekicks has finally proved as shallow and empty as the cynics always expected.

Meanwhile the new ‘Nattering Nabobs of Negativism,’ (apologies to the late William Safire) opine from their European or Shadow Ministerial positions that the Lisbon Treaty is now a fait accompli and for the UK to vote on it would be an absurdity: no more absurd than their constant support for this corrupt venal bloated unresponsive and deeply undemocratic organisation which has done so much damage to Britain over the years, and cost her so much.

It is to be fervently hoped that the Cameroon will put the interests of the people of Britain above those of the polyglot European elite, and remove the shackles that have throttled the fishing industry, decimated our agriculture, hastened the collapse of the postal service, and now threaten our Financial Services sector, amongst other follies. Indeed the Alternative Investment Fund Managers Directive poses a very real threat to our continued existence, along with that of other closed–end Funds, managed in-house; an assault directed from Europe by those with envious eyes on our long-established and mostly blameless and beneficial Investment Trust and similar sector. It is very much to be hoped that Boris Johnson’s defence of the hedge Fund Sector will extend to this less-strident and fee-sapping sector. Where the supposed benefit bestowed by the EU resides is beyond the comprehension of ourselves and one suspects many others.

Rowan berries are striking in Scarlet abundance, perhaps presaging a Cold winter, yet the UK’s coffers are bare, nothing having been put aside for harder times: the giving of foreign aid (endorsed by both parties, and encouraged by the incessantly implausible Bono is ‘a transfer of assets from poor people in rich countries to rich people in poor countries’); even the more erudite and observant Africans now question its efficacy, whilst a casual glance at any of the main beneficiaries would confirm that it achieves the very opposite of that intended, spawning a vast industry of conferences and well-equipped cars and offices, whilst individual and private efforts, carefully administered, do infinitely more good. Today’s snow in Southern England coincides with yet more largesse to the warmer and less productive parts of the world from the two countries with the largest deficits.

**Outlook**

Impending disaster may well have been averted for now, in which case our wide spread of investments will benefit; should all hell break loose, Gold will come to our rescue, and proven assets which underlie many of our holdings will be our mainstay.

My thanks are due to the effervescent team at Cheval Place, rising to the challenge during a period of significant change and turbulent times; now assisted with an eye on potential new areas by Melwin Mehta from the Indian sub-continent; our new secretaries in Guernsey, Capita and especially Julian Lane; our advisers with their regular and valued reassurance and advice, and my fellow directors, in all their wisdom and insight.

**C Robin Woodbine Parish**

Chairman

**CONSOLIDATED INCOME STATEMENT**

For the year ended to 30 June 2009

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | \* **Restated** |
|  | **30 June 2009** |  | 30 June 2008 |
|  | **£**  |  | £  |
| **Revenue** | **1,834,605**  |  | 2,345,644  |
| **Net (losses) / gains on investments** | **(28,558,626)**  |  | 947,441  |
| **Expenses** | **(2,681,073)**  |  | (1,826,483)  |
| **Profit before finance costs and taxation** | **(29,405,094)**  |  | 1,466,602 |
| **Finance costs** |  |  |  |
| Interest expense | **(976,080)**  |  | (2,010,474)  |
| **Profit before taxation** | **(30,381,174)**  |  | (543,872) |
| **Taxation** | **(9,061,474)**  |  | (79,431) |
| **Loss for the period** | **(21,319,700)**  |  | (464,441) |
| **Earnings per stock unit** (basic and diluted) | **(197.84p)** |  | (4.31p)  |
|  |  |  |  |  |  |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June 2009

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2009** |  | \* **Restated**30 June 2008 |
|  | **£**  |  | £  |
| Loss for the period | **(21,319,700)**  |  | (464,441)  |
| Dividend paid | **(1,508,710)**  |  | (1,422,498)  |
|  | **(22,828,410)**  |  | (1,886,939)  |
| Opening capital and reserves attributable to equity holders | **74,638,810**  |  | 76,525,749  |
| Closing capital and reserves attributable to equity holders  | **51,810,400**  |  | 74,638,810  |

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

\* Restated in accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors. The financial impact of the restatement is set out in Note 23 of the Annual Accounts which are available at www.eloro.co.uk

**CONSOLIDATED BALANCE SHEET**

at 30 June 2009

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2009** **£** |  | \* **Restated**30 June 2008£ |
| **Tangible assets** |  |  |  |
| Property, plant and equipment | **705,872** |  | 708,073 |
| Investment properties | - |  | 131,941 |
|  | **705,872** |  | 840,014 |
| **Current assets** |  |  |  |
| Trade and other receivables | **936,347** |  | 1,492,279 |
| **Financial assets at fair value through the profit and loss statement** |  |  |  |
| Investments | **76,692,362** |  | 113,124,805 |
| Commodities | **567,464** |  | 3,248,078 |
| Derivatives | **335,402** |  | - |
| Cash and bank balances | **1,494,213** |  | 536,463 |
|  | **80,025,788** |  | 118,401,625 |
| **Current liabilities** |  |  |  |
| **Financial liabilities** |  |  |  |
| Borrowings | **7,849,712** |  | 12,908,051 |
| Financial liabilities at fair value | **726,835** |  | 1,337,123 |
| Trade and other payables | **1,355,986** |  | 821,843 |
| Current tax liabilities | **612,581** |  | 849,967 |
|  | **10,545,114** |  | 15,916,984 |
| **Net current assets** | **69,480,674** |  | 102,484,641 |
| **Non-current liabilities** |  |  |  |
| Borrowings | **15,000,000** |  | 15,000,000 |
| Deferred tax liabilities | **3,376,146** |  | 13,685,845 |
|  | **18,376,146** |  | 28,685,845 |
| **Net assets** | **51,810,400** |  | 74,638,810 |
| **Capital and reserves attributable to equity holders** |  |  |  |
| Share capital | **538,825** |  | 538,825 |
| **Reserves** |  |  |  |
| Share premium | **6,017** |  | 6,017 |
| Capital redemption reserve | **347,402** |  | 347,402 |
| Merger reserve | **3,564** |  | 3,564 |
| Retained earnings | **50,914,592** |  | 73,743,002 |
| **Total equity** | **51,810,400** |  | 74,638,810 |

|  |  |  |  |
| --- | --- | --- | --- |
| Net asset value per share | 480.8 p |  | 692.6 p |

The Board of Directors approved and authorised the Group’s financial statements for issue on 18 December 2009. Signed on behalf of the Board by: CRW Parish (Chairman) and JA Wild (Director).

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

\* Restated in accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors. The financial impact of the restatement is set out in Note 23 of the Annual Accounts which are available at www.eloro.co.uk

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 30 June 2009

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | \* **Restated** |
|  | **30 June 2009** |  | 30 June 2008 |
|  | **£**  |  | £  |
| **Operating activities** |  |  |  |
| Net loss from operating activities | **(30,381,174)**  |  | (543,872)  |
| Depreciation | **22,548**  |  | 19,704  |
| Foreign exchange gains | **(2,563,853)**  |  | (988,343)  |
| Movement in fair value of investment properties | **9,671**  |  | 4,205  |
| Movement in fair value of investments through the profit and loss | **31,679,456** |  | 25,164,525 |
| Finance costs | **976,080**  |  | 2,010,474  |
| **Cash flow from operating profit before changes in working capital** | **(257,272)** |  | 25,666,693 |
|  |  |  |  |
| Decrease / (increase) in fair value of investments through the profit and loss | **10,321,458** |  | (16,118,537)  |
| Decrease / (increase) in trade and other receivables | **683,584**  |  | (1,259,968)  |
| Increase / (decrease) in trade and other payables | **481,742**  |  | (252,513)  |
| **Cash flow from operations** | **11,229,512**  |  | 8,035,675  |
|  |  |  |  |
| Income taxes paid | **(1,487,188)**  |  | (1,822,827)  |
| **Cash flow from operating activities** | **9,742,324**  |  | 6,212,848  |
|  |  |  |  |
| **Investing Activities** |  |  |  |
| Purchase of property, plant and equipment | **(20,347)**  |  | (822)  |
| Sale of investment properties | **134,619**  |  | 357,512  |
| **Cash flow from investing activities** | **114,272**  |  | 356,690  |
| **Financing activities** |  |  |  |
| Interest paid | **(923,679)**  |  | (2,016,957)  |
| Dividends paid to Shareholders | **(1,508,710)**  |  | (1,443,400)  |
| Repayment of mortgages | **-**  |  | (307,760)  |
| **Cash flow from financing activities** | **(2,432,389)**  |  | (3,768,117)  |
| **Net decrease in cash and cash equivalents** | **7,424,207**  |  | 2,801,421  |
| **Cash and cash equivalents at 30 June** | **(12,371,588)**  |  | (15,891,807)  |
| Effect of foreign exchange rate changes | **(1,408,118)**  |  | 718,798  |
| **Cash and cash equivalents at 30 June** | **(6,355,499)** |  | (12,371,588) |

\* Restated in accordance with IAS8 Accounting Policies, Changes in Accounting Estimates and Errors.

The financial impact of the restatement is set out in Note 23 of the Annual Accounts which are available at www.eloro.co.uk.

**For further information, please contact:**

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