**Chairman’s statement**

The Board paid a final dividend of 3.5 pence per share for the year-ended 30 June 2012 on 23 November 2012 to Members registered on the books of the Company at the close of business on 2 November 2012.

The Board has resolved to pay a final dividend of 3.6 pence for the year-ended 30 June 2013 on

25 November 2013 to Members registered on the books of the Company at the close of business on

1 November 2013.

The El Oro Group’s loss before tax for the year-ended 30 June 2013 was £13,688,199 (loss before tax for the year-ended 30 June 2012 was £21,782,577). The Group’s net assets at 30 June 2013 were £59,720,657 or 92.4 pence per share (30 June 2012 were £76,305,325 or 118.0 pence per share). Following market volatility, unrealised losses included in the figures for the year-ended 30 June 2013 were £15,953,512 (unrealised losses to 30 June 2012: £25,725,755). The overall cost to the portfolio has been of the order of £19m.

Having started its life as a Silver mine in Mexico, El Oro was bought by my father in 1935 with the liability of maintaining its Railway line: since that time there have been many volatile periods in its history. The dividend flow from its precious metals holdings in Platinum and Gold along with those from its other mining interests have brought great benefit to the company over the past 70 years, and we believe that despite the current downturn, will do so long into the future.

As the suntan fades along with the memories of a sublime summer, it is both salutary and sobering to see the remorseless result that a swoon in the Gold price has had in lowering the asset value from our 2011’s highs. Whilst the portfolio has fallen by 17.7% overall, the Gold Price has fallen by 25.4%, and many of our holdings in that sector, and especially our principal holding in Troy Resources, have fallen by significantly more than that.

Whilst being wise after the event is a valueless commodity, it is certainly apparent that many more profits should have been locked in after Gold reached over $1900 in September 2011, even if the consensus at the time was that $2200 or higher was the next objective. We certainly failed to anticipate the speed and extent of the decline that occurred in late March and early April, dragging the price down by nearly $500 in quick time, and decimating some explorers’ prices in the true meaning of the word.

In more recent weeks, the Gold price had begun to recover, partly on war-mongering by the British, French and Americans towards Syria. The shares had also shown some recovery from their historical lows in relationship to the Gold price. The putative Putinesque peace plan seems to have put paid to that rally for the time being, and the Goldmanite gloom mongers are yet again beating the drum for further falls to near or below $1000. Needless to say, this would not do wonders for our portfolio, but we can also question whether this particular bandwagon might not have run too far downhill for the time being, or perhaps we are engaging in wishful thinking.

Despite these disappointments, the summer and its unforecast sunshine has brought a smile to the faces of our Brewers, whilst pavements and streets have been burnished by bicycles and the friendship of feet. The sight of street corners outside pubs pullulating with people, perhaps celebrating the prolific panoply of British sporting prowess, where victories at Wimbledon for Andy Murray, the British Lions in Sydney, the English Cricket team in the Ashes and the scintillating sight of the British Eight conquering the Germans in Korea, have all given ample reason for celebrations.

We can certainly add our thanks to the team at Young’s, both present and past, who have continued to build an excellent business, with steadily increasing dividends, and indeed the same can be said for Fullers, Shepherd Neame and several others. Whilst the appreciation of London property prices remains outside their control, and continues to increase the asset value of the London-centric brewers, building an increasingly profitable business remains their prime task, and we congratulate their accomplishment to date.

Our Palm Oil holdings have marked time or relapsed somewhat, as the palm oil price retreated from its highs, but the increasing acreage under cultivation for MP Evans, REA Holdings and others in the portfolio, should generate substantial growth in income in the years to come. On the British manufacturing front, it is hugely satisfying to see the progress and success of Goodwin, with its Stoke-on-Trent foundries supplying countries such as the United States and China with castings for the Water and Power generation sectors. The 175 year old business has adapted successfully to the changed demands of the new millennium, and outlasted their neighbours Wedgwood, ravaged and destroyed by inopportune mergers, outsourcing and ceasing to strive for pre-eminence in its field.

We congratulate the family and management at Goodwin and wish them every success for the next 175 years. They join the select band of Northern Industrial families, running companies such as PZ Cussons, James Halstead and Nicholls (Vimto), who have been good stewards and made such a remarkable success of a diverse range of businesses, in which we remain privileged to participate.

Amongst the other successes, Amerisur continues to build its reserves and production in Colombia, with the prospect of other discoveries that might yet be made in Paraguay: It has been a long haul since its days as Gold Mines of Sardinia, whose main prospect lay buried under an Italian air force base, and we are grateful for the perseverance of its current management and the vision and expertise of its chief executive, John Wardle.

Less happy has been our experience with the unquoted Hurricane Energy, the cancellation of whose rig after a delay on its promised arrival date led to the termination of its planned float. That in itself is regrettable, and even more so is the level of rewards that the management have seen fit to award themselves, for a company that has yet to produce a barrel of oil, and which its shareholders have patiently provided for over several years. The lesson of corporate leanness and parsimony is gradually being adopted across many areas of business, even if not yet in the BBC nor Quangocracy and Government spending generally. We can but hope that managements everywhere will listen more intently, in this less spendthrift era, to the voices of their owners, even though the rewards of Quantitative Easing have been so monstrously deployed, in the Treasury’s own assessment, primarily to the already-rich.

Many other areas of our diverse portfolio continue to make steady progress, such as Dee Valley Water, seldom acknowledged as a listed Water company; Berendsen with its cleaning services thriving despite its name change, Mountview and Conygar, both reflecting an improved London property market. Legal and General, in the Financial Sector, has shown its resilience in recovering from the Financial meltdown 5 years ago, and begun to grow again, as has Lloyds TSB, at least until the Government offloads its stake. Were it not for Mr. Miliband’s reversion to the socialist philosophy of his forebears, as annunciated at his Party’s Conference in recent days, we would have anticipated a steady future for the utilities: however the spectre of price controls with all their pernicious effects brings back the ghastly memories of Ted Heath and the dark days of the 70’s.

Troy itself has completed the takeover of Azimuth Resources, with its substantial Gold deposits in British Guyana: it now has a Resource in any excess of anything it its history, with every prospect of low cost production from the West Omai prospect garnering sizeable profits in the years to come.

Whilst the share price has had to absorb selling, we believe that management have done an excellent job in securing Troy’s future production, whilst continuing to surmount the challenges of going underground at Casposo in Argentina, with all the inherent problems of that land.

The diversity and strength of these businesses give us hope that the current asset value is underpinned and should begin to improve, barring any further collapse in the prices of precious metals, it is even possible that the price of the platinum producers has passed its nadir, although the sector, and South Africa, have been written off in the minds of many.

On the home front, the poisonous legacy of Messrs’ Blair and Brown continues to shackle the Cameroons and their attempt to extract Britain from the morass of debt, bust banks, bloated State Sector and Government expenditure, and an unaffordable National Health Service facing inexhaustible demands: to this must be added the damage done to the Education system, which Mr Gove is struggling valiantly to rectify, as is his counterpart at Social Security, Mr Duncan-Smith.

Part of that Labour legacy includes stopping the Badger cull in 1997, leading to the surge in its population and concomitant increase in bovine tuberculosis. Its cost continues to increase and to create untold damage and despair within Britain’s Beef industry.

The vast influx of uncontrolled immigration, unleashed on an unsuspecting British population by the likes of the now-Lord Mandelson, has done more than anything to change the face of Britain forever, and establish a new underclass of English citizens of minimal educational achievement, without prospect of, or perhaps inclination towards employment. The new beneficiaries of British citizenship come primarily from India, Nigeria, Pakistan, China and the Philippines. Little place is left for those stalwart citizens and relations of the British people, proven in past assistance, as the Canadians, New Zealanders, Australians and older Commonwealth countries.

Their admittance is often refused, despite the huge role they have played in protecting and building our country and interests around the world. The wilful, unrestrained and alien expansion of the population of the British Isles will only be further exacerbated by the relaxation of restrictions on the entry of Romanians and Bulgarians, due to occur in 2014: the implications of which are being studiously avoided by the present Coalition. Its hands are in any case tied by its submission to the authority of the European Union, futile in Syria, yet fearsome in the control of the sale of un-registered flowers.

The intrusion of the European Union into every nook and cranny of British law and life, even when such idiocies as a proposed ban on open dishes of olive oil in restaurants are overturned, continues to corrode the British body politic, and entangle British business and life with an ever-more complex array of regulations. The EU maintains its adamantine antagonism to a proper audit of its accounts, and to any rebuke to its glorious role in the rebuilding of Europe.

Amongst the other victims of that legacy has been the Energy sector, where the failure to sanction a new generation of Nuclear power stations has left most of the possible providers withdrawing from the fray, and an unseemly dispute with France as one of the only remaining builders, or perhaps it will be Russia’s reprise from Chernobyl. The ever consistent producers of power using conventional resources such as Coal have been forced to cease operations, in compliance with the Cameroonic, or perhaps moronic, obeisance to our brave new Green world; a decision likely to be equally regretted by Germany, as it loses its Chemical and energy intensive production to the United States, fortified by the bonanza of fracking and its cheaper energy. The current energy Secretary appears to regard fracking as a threat to Britain’s renewables sector, rather than as a God-given gift to reduce Britain’s Energy costs and assert its independence from the threat of interruption from foreign suppliers: his ogreish intent to destroy Britain’s landscape is matched only by Mr. Boles’s assault on the Green Belt.

The Coalition refuses to countenance subsidising the storage of gas, so even under cautious Industry forecasts, it seems likely that Britain will face power cuts in the not too-distant future. The decision on a 4th runway at Heathrow has been delayed until after the General Election, following on from its previous delay in 1968: this has not prevented Messrs Osborne and Cameron from extolling the advantages of the HS2 train to Birmingham and beyond, despite mounting evidence of its lack of viability, and the existence of the already-built but mothballed Grand Central line being mostly still in situ.

St. Matthew 5.13: ’Ye are the salt of the earth: but if the salt have lost his savour, wherewith shall it be salted? It is good for nothing, but to be cast out, and to be trodden under foot of men.’ Having been rebuked by their owner, whilst cycling on the Isle de Re between the salt-pans, for fear of sending sand or grit into his drying salt beds, we were reminded of the age-old need for purity on this staple of human life.

Sadly we will see little sign of a casting-away of the old failed policies of the past: instead the national debt has grown remorselessly past the £1 trillion mark, and whatever the veneer of austerity espoused by the Chancellor, he continues spending more than he raises. The recent introduction of ‘Help to Buy’ has also reawakened fears of over-heating in the Housing Sector, and is already under scrutiny, even if relished by all house builders.

Business rates remain cripplingly high in many places, exacerbating the decline of the High Street.

Despite minor successes over some of Brussels’ attempts to foil the Financial Sector, the European Union remains a significant threat to British prosperity, law and independence, and there is no evident and forceful desire to cast outside its machinations and its gargantuan and unquenchable appetite; likewise the dalliance with Green power (or lack of) threatens Britain’s prosperity and livelihood on both the individual and corporate level: individual because our electricity is already priced at a premium to provide for subsidies for the solar and wind sectors, thus depleting spendable or saveable income; corporate because as has been proved by the closure of Avonmouth Aluminium refinery and the possible closure of Grangemouth, British industry cannot compete successfully when lumbered with an huge premium on the price of its power. Energy security and pricing are or should be the priority for the Government, rather than posturing about ‘green’ credentials, and the obscene thought of swathes of prime Agricultural land being adorned with solar panels, subsidised by otherwise successful industries (the same panels that this government decided should not be subsidised on the roofs of industrial buildings).

The less said about the attempted adventure into Syria the better, but at least it is now becoming apparent that the British people will have to be dragged kicking and screaming into another questionable conflict, especially without the support of its hithertofore capable Armed Forces being fully equipped to complete their assignment.

Few can relish the lack of leadership and indeed humiliation bestowed on the Western World’s foremost powers, but after so many debacles around the world, it is perhaps just as well if we are spared new forays and ‘humanitarian’ missions. The lacklustre leadership of the US President poses significant threats to Western authority, and his Secretary of State proves why he was not elected President, perhaps better for him to have stuck to beans or even butter.

Perhaps even the paymasters of the various uprisings initially so eagerly endorsed by Hague, Cameron and Obama, will revert to watching their football clubs improving their positions against the successor to Sir Alex, or playing the World Cup in the Winter in an otherwise empty stadium.

Looking further forward, it is possible that a sea-change is occurring, where the fabulous future predicted for Brazil, India and China changes into turpitude or torpidity: certainly India’s growth rate and currency have fallen dramatically, as have Brazil’s with the pull-back in prices of their metal exports; China’s problems with corruption are well-publicised, and Russia’s demographics point to the brevity of any revival it might enjoy from high oil prices. We suspect these favoured areas will wax and wane, but it would be as wrong to write them off, as it was to abandon belief in the United States in its darkest days.

Happily, Ludlow Amateur Boxing Club is undergoing a resurgence, led by some exemplary individuals with an appeal for completion of its new Club house; this was launched just as one of the sport’s most notable proponents, and Rhodes’ Scholar Boxing Blue burst into power, in the form of the ‘Mad Monk’, Mr Tony Abbott, newly elected Premier of Australia, along with his saintly deputy, Miss Bishop: of all the encouraging events of the year 2013, this has to rank at or near the top, as the scourge of the liberal left, opponent and eliminator of Carbon taxes, sceptic of Anthropogenic Global Warming, and a host of other idiocies that have sadly become embedded in the British conservative party philosophy. It is somewhat ironic that in a week when the Australian leader of the British Green Party takes the stage in Britain, spewing verbal garbage, a pragmatic Briton cycles or surfs to the leadership of the Lucky Country.

Whilst no doubt the future path of the Chinese economy remains the dominant influence on the future of Australia, we feel reinvigorated, just as we were when listening to Ronald Reagan succeeding as President, the desolate Jimmy Carter; despite all its uncertainties, the World already feels better for the presence of such a person, even if it is too much to hope that his place of birth could see its way to adopting even a smidgeon of his policies.

‘All of Humanity’s problems stem from man’s inability to sit quietly in a room alone’ Blaise Pascal (1623 – 1662).

Thucydides (410 BC) chronicled the Peloponnesian War, noting that ‘these are written that man might avoid war’.

‘Don’t just do something, stand there’ Ronald Reagan.

Sadly the urge by bureaucrats and politicians to interfere is probably insatiable, and sales of Grand Theft Auto V indicate the level of appetite amongst a sector of the world’s population for incessant activity, regardless of its morality or inherent goodness.

We have a lot of ground to regain after the battering of the last 9 months, and may well face further headwinds in the Gold sector. Troy has secured an extensive new resource in British Guyana, our Breweries thrive, London remains a boom world, bolstered by 87 varieties of nationalities looking to acquire a foothold within its gates; the United States appears to be recovering circumspectly albeit faced with a prospect of a new Governor of the Federal Reserve and question marks over the need for and extent of ‘tapering’; our exposure to a variety of excellent British businesses and their world-wide markets make us confident that in the medium term we can recover some of the gains foregone as a result of the retreat of the Gold price. Whether or not it is a case of ‘reculer pour mieux sauter,’ time will tell.

My thanks go to the team at Cheval Place, securely led as always by Steven McKeane, and the admirable Abbie, backed up by the knowledgeable and eagle-eyed Nick Wells, despite his affiliations to Crystal Palace, and Melwin’s ever-growing knowledge of a swathe of sectors and companies, all held together by Jessica and her incomparable and elegant standard of attire.

My fellow directors and our brokers and advisers continue their exemplary work and we wish Thady Voorspuy of JM Finn every success as he moves from the world of markets and rigmarole to that of Veterinary studies and Equine medicine.

Robin Woodbine Parish

30 September 2013

**CONSOLIDATED INCOME STATEMENT**

For the year ended to 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  | **30 June 2013** |  | 30 June 2012 |
|  | **£**  |  | £  |
| Revenue | **2,019,301** |  | 2,103,622 |
| Net losses on investments | **(12,556,856)** |  | (20,131,870) |
| **Total loss** | **(10,537,555)** |  | (18,028,248) |
| Expenses | **(1,785,772)** |  | (2,350,838) |
| **Loss before finance costs and taxation** | **(12,323,327)** |  | (20,379,086) |
| **Finance costs** |  |  |  |
| Interest expense | **(1,364,872)** |  | (1,403,491) |
| **Loss before taxation** | **(13,688,199)** |  | (21,782,577) |
| Taxation | **(666,771)** |  | 2,060,104 |
| **Loss for the financial year** | **(14,354,970)** |  | (19,722,473) |
| **Basic loss per share** | **(22.2 p)** |  | (30.5 p) |
|  |  |  |  |  |  |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the year ended 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2013** |  | 30 June 2012 |
|  | **£**  |  | £  |
| Opening capital and reserves attributable to equity holders | **76,305,325** |  | 98,171,099 |
| Total comprehensive income: loss for the financial year | **(14,354,970)** |  | (19,722,473) |
| Increase of equity on bonus issue | **-**  |  | 107,748 |
| Dividends paid (net) | **(2,229,698)** |  | (2,251,049) |
| Closing capital and reserves attributable to equity holders | **59,720,657** |  | 76,305,325 |

**CONSOLIDATED BALANCE SHEET**

at 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2013****£** |  | 30 June 2012£ |
| **Non-current assets** |  |  |  |
| Property, plant and equipment | **1,171,682** |  | 673,963 |
|  |  **1,171,682** |  | 673,963 |
| **Current assets** |  |  |  |
| Trade and other receivables | **2,829,213** |  | 2,162,810 |
| Investments held at fair value through the profit or loss statement | **89,252,409** |  | 108,474,423 |
| Cash and bank balances | **641,495** |  | 490,581 |
| **Total current assets** | **92,723,117** |  | 111,127,814 |
| **Current liabilities** |  |  |  |
| Borrowings | **4,470,773** |  | 4,093,416 |
| Trade and other payables | **1,117,339** |  | 1,068,166 |
| Financial liabilities at fair value | **4,213,063** |  | 6,339,616 |
| **Total current liabilities** | **9,801,175** |  | 11,501,198 |
| **Net current assets** | **82,921,942** |  | 99,626,616 |
|  |  |  |  |
| **Non-current liabilities** |  |  |  |
| Borrowings | **20,000,000** |  | 20,000,000 |
| Deferred tax liabilities | **4,372,967** |  | 3,995,254 |
| **Total non-current liabilities** | **24,372,967** |  | 23,995,254 |
| **Net assets** | **59,720,657** |  | 76,305,325 |
|  |  |  |  |
| **Capital and reserves attributable to equity holders** |  |  |  |
| Share capital | **646,573** |  | 646,573 |
| **Reserves** |  |  |  |
| Share premium | **6,017** |  | 6,017 |
| Capital redemption reserve | **347,402** |  | 347,402 |
| Merger reserve | **3,564** |  | 3,564 |
| Retained earnings | **58,717,101** |  | 75,301,769 |
| **Total equity** | **59,720,657** |  | 76,305,325 |

|  |  |  |  |
| --- | --- | --- | --- |
| Net asset value per share | 92.4 p |  | 151.8 p |

The Board of Directors approved and authorised the Group’s financial statements for issue on 30 September 2013.

Signed on behalf of the Board by: CRW Parish (Chairman) and JA Wild (Director).

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

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 30 June 2013

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June 2013** |  | 30 June 2012 |
|  | **£**  |  | £  |
| **Operating activities** |  |  |  |
| Net loss before tax | **(13,688,199)** |  | (21,782,577) |
| **Adjustments for:** |  |  |  |
| Depreciation | **23,441** |  | 31,434 |
| Foreign exchange gains | **(34,038)** |  | (605,338) |
| Net unrealised losses on fair value investments through the profit or loss | **15,953,512** |  | 25,725,755 |
| Finance costs | **1,364,872** |  | 1,403,491 |
| **Cash flow from operations before changes in working capital** | **3,619,588** |  | 4,772,765 |
|  |  |  |  |
| Movement in financial assets at fair value through the profit or loss | **585,848** |  | 3,896,628 |
| Increase in trade and other receivables | **(612,744)** |  | (1,324,304) |
| Increase in trade and other payables | **51,529** |  | 316,271 |
| **Cash flow from operations** | **3,644,221** |  | 7,661,360 |
|  |  |  |  |
| Income taxes paid / (reclaimed) | **247,877** |  | (50,609) |
| **Cash flow from operating activities** | **3,892,098** |  | 7,610,751 |
|  |  |  |  |
| **Investing Activities** |  |  |  |
| Purchase of property, plant and equipment | **(521,160)** |  | (15,460) |
| **Cash flow used in investing activities** | **(521,160)** |  | (15,460) |
| **Financing activities** |  |  |  |
| Interest paid | **(1,367,228)** |  | (1,407,660) |
| Net dividends paid to Shareholders | **(2,229,698)** |  | (2,251,049) |
| **Cash flow used in financing activities** | **(3,596,926)** |  | (3,658,709) |
| **Net (decrease) / increase in cash and cash equivalents** | **(225,988)** |  | 3,936,582 |
|  |  |  |  |
| **Cash and cash equivalents at 30 June** | **(3,602,835)** |  | (7,725,036) |
| Effect of foreign exchange rate changes | **(455)** |  | 185,619 |
| **Cash and cash equivalents at 30 June** | **(3,829,278)** |  | (3,602,835) |