El Oro Ltd

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Chairman's statement

The El Oro Group's profit before tax for the year-ended 30 June 2011 was £30,363,697 (year-ended 30 June 2010 was £23,397,408). The Group's net assets at 30 June 2011 were £98,171,099 or 911.0 pence per share (30 June 2010 were £70,355,851 or 652.9 pence per share).

The Board paid a final dividend of 5 pence per share for the year-ended 30 June 2010 on 10 December 2010 to Members registered on the books of the Company at the close of business on 24 November 2010.

The Group's net asset value per Share ("NAV") showed an increase over the year of 39.5% while the FTSE All Share Index was up by 21.8%.

The Board has resolved to pay a final dividend of 20.0 pence for the year-ended 30 June 2011 on 28 November 2011 to Members registered on the books of the Company at the close of business on 4 November 2011. Additionally, the Board has resolved to make a Bonus Issue to shareholders at a ratio of 1 new share for every existing 5 shares held immediately following the dividend payment.

In order to improve liquidity in the Shares, following the payment of the dividend and the issue of the Bonus shares, the Company is proposing to sub-divide its existing issued share capital on the basis that each issued Share will be sub-divided into five issued Shares, each Split Share having the same rights, terms and obligations as the Existing Shares. Shareholders who hold their Shares in certificated form will receive replacement share certificates following the Share Split and share certificates issued prior to the date of the AGM will no longer be valid. For each existing 100 shares, the bonus issue calculation would be 100 / 5 = 20. The interim number of shares would be 100 + 20 =120. Following which, the share split would provide 120 x 5 = 600.

The brilliance of the Sunshine in the latter days of September, sending swimmers scurrying to the Serpentine and fruit pickers harvesting Nature's Bonanza, encourage one to the view, along with the above results, that 'this is as good as it gets'; certainly the stomach-wrenching falls in World Markets and the wild swings in the price of Gold, have erased much of the gains enjoyed by the main indices since the start of the year. The storm clouds gathering from Greece to Southern Spain, across North Africa and over the Atlantic Ocean, make one wonder whether we are in the eye of the hurricane, whose full effect is yet to be felt. Even some of the plant stalls at the Autumn Flower show have been forsaken in favour of a Wild Food Foraging Course. Primark appear to be the only carrier bags now visible in Oxford Street, and branded bags in Bond Street have replaced bows for those of the lineage of Genghis Khan, who now replicate their ancestor or conqueror in sweeping aside all they survey, albeit only with shoes from Prada or scents from Chanel.

The stocks which constitute the larger echelons of the portfolio have in most part resisted the more recent falls: by the end of June, Troy Resources was still struggling to meet its targeted production, an effort not helped by the coldest winter in 50 years in Argentina. Offsetting its shortfall was the sudden surge in Gold into the ether to reach $1,940 briefly in early August. Happily production from its Brazilian mine at Andorinhas was able to take advantage of these historic highs; more recently Casposo in Argentina has increased production to its design level, at the same time as announcing significant and exciting additional reserves.

Young and Co. continue to improve and expand their pub estate, with the vigorous combination of Geronimo and its fast-cycling management; somewhat questionable however, particularly to die-hard Ale enthusiasts is the decision to dispose of its share of the Wells and Young's joint venture in brewing, especially given the almost legendary status of Young's Bitter within London.

James Halstead thrive as ever, and have recently impressed with yet another profit and dividend increase, and MP Evans appear strongly positioned to benefit substantially in years to come from their increased planting of Palm Oil trees. Archipelago have confounded the pessimists in commencing production from their Toka Tindung mine in Sulawesi, and give good indications of expanding their reserves. Fuller, Smith and Turner have shown themselves less surefooted than normal, with their abortive bid for Capital Pub Group, although their excellent pub estate will stand them in good stead.

Patagonia Resources has proved up a reasonable reserve and Extorre, whilst slipping back from the exalted price it reached in August, would seem to have a world-class mine and deposit in Southern Patagonia.

Amongst the more recent additions to the Portfolio, we were privileged to visit Banro's new Twangiza Mine at Bukavu in the Congo in early September. The stature of its recently constructed mill and enthusiasm and ability of its team and Chief Executive Simon Village, were impressive, and one has to hope that the quality of the carvings we collected will be replicated in the mine's output, and that of its other deposits. Certainly, given political stability it has every likelihood of being a signal success, and a tribute to the perseverance of its progenitors. Readers of a historical bent might be interested to learn that the silk fabric for the curtains close to where this is being written were collected by my father in Elizabethville, during an enforced stop in what was the Belgian Congo some 50 years ago, and are as good today. We wish the Banro team every success and await news of their first Gold pour.

Many more of the minnows may yet prove profitable in due course, and we are happy to have received a take-over offer for Anvil Mining from Huanlong in recent weeks, also in the Congo, and also for Sundance, an Australian listed iron-ore company. Even our holding in Earthport, an inter-bank-payments software company, is beginning to show renewed signs of life, and is winning orders. The results of Hurricane Exploration's new drilling programme are awaited with growing excitement, and perhaps Amerisur's Colombian oil will at long last lead to a maintainable lift in the share price.

Beyond the pages of our own stocks, we cannot, however, discern a glimmer of light or honesty over the gravity of the situation confronting the World, and Britain.

In the UK we are led by a Prime Minister who would rather spit blood than adopt a single policy favoured by a majority of the Conservative Party; instead he favours a louche Lothario as Deputy Prime Minister and the Ballroom Boulevardier, also masquerading as the anti-Business Secretary: his goal seems to consist of ever more frivolous and futile taxation tribulations with which to mutilate the British wealth producing classes. The PM's main concerns in recent days have been to introduce a ban on plastic bags, and legalise gay marriage, this in the week that we are warned that the economic crisis perhaps exceeds that of the 1930's. Our Armed Forces have been decimated and demoralised in a way that not even the fall of Singapore or Dunkirk could achieve, and alongside the cuts imposed the Defence industry itself is shrinking, perhaps beyond repair, as evident from BAE's most recent closures.

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It is quite insane to be reducing our Defence capabilities at a time of such uncertainties, and an increased likelihood of civil unrest; not to mention obscene in sacking officers and men who have been risking their lives so recently at the behest of their political masters.

The threatened destruction of Bombardier and the handing of the Thameslink contract to Siemens could well eliminate Train manufacture in Britain after 150 years, and have the effect of carrying foreign workers in foreign-made trains, owned by foreign companies to their probably foreign-owned employers. Surely the government of Britain should be making every effort to promote and increase the manufacture of goods and equipment within the boundaries of Britain, rather than grovelling in obeisance to strictures from a foreign, albeit European, power? Throwing the sop of the proposed High Speed Rail line to big business, against all local and economic opinion; is a poor substitute for abandoning such a core element of British industry.

Leaders of the Airline industry repeatedly warn of the effects of the Air Passenger Duty, and suggest up to 7.4m tourists may have by-passed Britain as a result of its imposition. This is exacerbated by the failure to expand Heathrow, or an alternative venue, putting Britain into the second rank of transport destinations, from its previous Ascendancy.

Heavy users of Energy, such as aluminium and Cement manufacture, face the prospect of relocating abroad, to escape the punitive 'Carbon' charges imposed by the EU and enhanced by its henchman Mr Huhne, maniacally destroying Britain's landscape by cocooning the hills in Wind Pylons, and electrical transmission cables, to produce power that will NEVER be either economic nor sufficient. Meanwhile the scope for production from Nuclear becomes more uncertain, as SSE, once Scottish and Southern Electricity, withdraw from Nuclear development, to concentrate on 'Renewables', as does RWE. Even the existing coal plants are to have their closure brought forward, whilst those of Eastern Europe are to be expanded, perhaps even with the assistance of money sequestrated from the British tax-payer. New technologies, for shale extraction and to utilise Britain's almost limitless supply of coal sitting under our feet, are given scant credence or support, and instead the consumer is crushed under ever-higher 'Climate change levies' and the cost of the wind-imbroglio.

Not content with taking the wrecking-ball to the British Armed Forces and Industry generally, the abiding beauty of Britain now faces the threat of changes to the planning regulations, so that yet more rabbit hutches can be constructed, when it is perfectly apparent that it is almost impossible to sell a house more than 60 miles from London at the present time. Any opponents are branded Nimbies, or Luddites, just as critics of Foreign Aid, including Mr. Imran Khan, are decried as uncaring or immoral when they point out the damage it does by enhancing and feeding corruption.

Which brings us to Balaam's Ass: Numbers XX11, vv 28-30: 'Balaam smote the ass with a staff. And the Lord opened the mouth of the ass, and she said unto Balaam, What have I done unto thee, that thou hast smitten me these three times? Am I not thine ass, upon which thou hast ridden ever since I was thine unto this day? Was I ever wont to do so unto thee? And he said Nay'.

Substitute for Balaam, Mrs Merkel and the EU, and for the Ass, Greece, and the tragedy unfolding in the Aegean becomes apparent, but sadly neither have seen the Angel of the Lord standing in a narrow place where there was no way to turn. It is perfectly apparent to any sane being that a Greek default is inevitable, and withdrawal from the Euro preferable, before the suffering and impoverishment of Greece becomes a running sore throughout that Southern section, quite possibly embroiling and dragging in Spain, Portugal and Italy. The myopia, vanity and obduracy of Europe's leaders may well bring to pass that violence and war they have so arrogantly believed themselves to be preventing. Meanwhile in Britain, renegotiation or outright withdrawal becomes insistently attractive, although once again blocked by Prime and Foreign Ministers, who claim the economy might be damaged by a vote: it is hard to see how any more pain could occur from challenging this venal, extravagant and obsessive concoction of academic socialists.

The seemingly limitless stream of regulations spewed out of its foaming jaws, in the realm of Health and Safety, Human Rights, Working Time Directives, Financial Solvency and a raft of other areas make Krakatoa seem positively miniscule. All are swallowed by our ever-compliant masters, with barely a murmur or even perhaps being noticed. The time has come to question its whole edifice rigorously and ruthlessly; and release the trading and technological skills so abundant in Britain to forge our own way in the World.

The Regulate and Tax world personified by the EU is replicated in the United States, where the obsession with additional taxation has been espoused so vocally by Mr Buffett, to the delight of Mr Obama. In reality for the United Kingdom and the United States, taxation is not the solution: the over-riding issue is Excess Expenditure, against which none of the tax increases suggested will make the slightest difference.

The ever-expanding role of the State, and the embedded rewards given to its employees, have relentlessly squeezed the Private Sector. The Municipalities of the United States, such as California, are essentially bust, as it is no longer possible to run the state infrastructure, at the same time as paying its index-linked Pensions; similar to the Church of England, which is shrinking the numbers of or not replacing its clergy, in order to be able to pay the Pensions of those who have already retired.

These are the realities of the Western World, where the burden of Public Healthcare, grandiose and crippling foreign wars, and the intrusion of the State into every nook and cranny of civilian life, have unleashed the monstrous Mr Jekyll, whose appetite can only be assuaged by consuming every last penny from the Private purse.

In these circumstances of QE or whatever moniker, the destruction of the saving classes is inevitable along with a rise in inflation and the penury for all those on fixed incomes.

Whilst the public seek safety in Government Bonds, its income collapses, and the private sector is unable to increase employment due to the penal levels of taxation.

Given this predicament, the denial of those in authority to confront the truth, the refusal to abandon perverse regulation and confiscatory taxation, the attempt to solve a crisis of indebtedness by increased borrowing, we can only foresee a long and grinding adjustment to much lower levels of living and wealth.

It is now suggested that a figure of 3 TRILLION Euros will be required to re-capitalise the well-nigh bankrupt Banks of Europe and its States: figures well beyond the balance sheet of the IMF or any other Fund in existence.

This is terrifically sad, as it is so unnecessary, but the hard choices required, of cutting the State, and freeing the Private Sector to invest and innovate and create employment whilst retaining a reasonable return on its investment, are all perfectly feasible and achievable.

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Those of a botanical bent, or even moderately observant, may have noticed the vigorous recuperative powers of Nature, where the casualties of the recent harsh Winter, seemingly dead and cut to the ground are now flourishing once more and even flowering, such as Lady Hillingdon's Rose and Bay trees. The harsh solution of cutting the dead wood to allow re-growth is far too simple for the hordes of Quantitative Economists advising most Western economies.

How sad that the ruthless and exacting and creative and dynamic example of the late-lamented Steve Jobs, who did just that on an epic scale at Apple, transforming it from near death into the second-most powerful company on the planet, could not be used as the template for National revival.

We will not give up hope, but retain our Gold and its miners, our brilliant pub businesses, basic resources, oil wells and technology leaders into this era of uncertainty and wide-spread economic folly and ignorance.

The Ass survived, Balaam saw the error of his ways, England conquers at Cricket, our oarsmen retain their rhythm; Shropshire retains its epic beauty despite attacks from bio-mass and Pylons; only in Rugby do we see a team let down by individual indiscretion and a lack of creative thinking.

The team at Cheval Place thrive and fortify the bounty of your Company; our profound thanks to Steven, Abbie, Nick, Vicky and Melwin for their unstinting effort and contribution. Dexion have proved more than capable successors to Capita, and are congenial and competent Company Secretaries; my directors and advisers also deserve our appreciation and thanks for much sage and astute advice.

The outlook is anything but easy, but we share an increased dividend with our loyal shareholders, along with a distribution from reserves and retain our belief that the range and quality of investments will uphold the company through a multitude of tribulations, should they occur.

Robin Woodbine Parish
19 October 2011

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CONSOLIDATED INCOME STATEMENT

For the year ended to 30 June 2011

	30 June 2011	30 June 2010
	£	£
Revenue	**2,033,240**	1,939,446
Net gains on investments	**31,617,492**	24,564,533
Total income	**33,650,732**	26,503,979
Expenses	**(2,150,892)**	(2,087,814)
Profit before finance costs and taxation	**31,499,840**	24,416,165
Finance costs		
Interest expense	**(1,136,143)**	(1,018,757)
Profit before taxation	**30,363,697**	23,397,408
Taxation	**(2,020,092)**	(2,050,067)
Profit for the year	**28,343,605**	21,347,341
Basic earnings per share	**263.0 p**	198.1 p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	30 June 2011	30 June 2010
	£	£
Opening capital and reserves attributable to equity holders	**70,355,851**	51,810,400
Total comprehensive income: Profit for the year	**28,343,605**	21,347,341
Dividends paid	**(528,357)**	(2,801,890)
Closing capital and reserves attributable to equity holders	**98,171,099**	70,355,851

CONSOLIDATED BALANCE SHEET

at 30 June 2011

	30 June 2011	30 June 2010
	£	£
Non-current assets		
Property, plant and equipment	**689,937**	733,937
	689,937	733,937
Current assets		
Trade and other receivables	**508,323**	618,279
Investments held at fair value through the profit or loss	**132,027,093**	100,855,806
Cash and bank balances	**580,492**	1,302,353
Current assets	**133,115,908**	102,776,438
Current liabilities		
Borrowings	**8,305,528**	9,450,278
Trade and other payables	**756,064**	862,839
Financial liabilities at fair value	**776,666**	2,634,452
Current tax liabilities	**38,575**	799,332
Current Liabilities	**9,876,833**	13,746,901
Net current assets	**123,239,075**	89,029,537
Non-current liabilities		
Borrowings	**20,000,000**	15,000,000
Deferred tax liabilities	**5,757,913**	4,407,623
	25,757,913	19,407,623
Net assets	**98,171,099**	70,355,851
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	**97,275,291**	69,460,043
Total equity	**98,171,099**	70,355,851
Net asset value per share	911.0 p	652.9 p

The Board of Directors approved and authorised the Group's financial statements for issue on 19 October 2011.

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

The Annual Report is available at www.eloro.com

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2011

	30 June 2011	30 June 2010
	£	£
Operating activities		
Net profit before tax	**30,363,697**	23,397,408
Depreciation	**37,174**	37,443
Foreign exchange gains	**(620,903)**	(435,723)
Net unrealised gains on fair value investments through the profit or loss	**(22,199,717)**	(18,299,456)
Finance costs	**1,136,143**	1,018,757
Cash flow from operations before changes in working capital	**8,716,394**	5,718,429
Movement in financial assets at fair value through the profit or loss	**(10,257,394)**	(2,274,239)
Decrease in trade and other receivables	**87,921**	326,800
Decrease in trade and other payables	**(167,840)**	(499,941)
Cash flow from operations	**(1,620,919)**	3,271,049
Income taxes paid	**(1,430,559)**	(843,591)
Cash flow from operating activities	**(3,051,478)**	2,427,458
Investing Activities		
Purchase / (sale) of property, plant and equipment	**6,826**	(65,508)
Cash flow from investing activities	**6,826**	(65,508)
Financing activities		
Interest paid	**(1,075,078)**	(1,011,963)
Dividends paid to Shareholders	**(528,357)**	(2,801,890)
Increased bank loan	**5,000,000**	-
Cash flow from financing activities	**3,396,565**	(3,813,853)
Net decrease / (increase) in cash and cash equivalents	**351,913**	(1,451,903)
Cash and cash equivalents at 30 June	**(8,147,925)**	(6,355,499)
Effect of foreign exchange rate changes	**70,976**	(340,523)

Cash and cash equivalents at 30 June	**(7,725,036)**	(8,147,925)