

# Elan Diversified Income Fund

a sub fund of the Elan Fund

Annual Report and Financial Statements (Audited)

For the period from 11th December 2006 to 30th April 2008

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## MANAGEMENT AND ADMINISTRATION

The Authorised Corporate Director ("ACD") and registered office of The Elan Fund ("the Company"):

### PREMIER PORTFOLIO MANAGERS LIMITED

Eastgate Court, High Street,  
Guildford, Surrey, GU1 3DE

Premier Portfolio Managers Limited is authorised and regulated by the Financial Services Authority ("FSA") and is a member of the Investment Management Association ("IMA"). Premier Portfolio Managers Limited and Premier Fund Managers Limited are both members of the Premier Asset Management Marketing Group.

**DIRECTORS OF THE ACD:** Mike O'Shea (Chairman)  
Neil Macpherson (Finance Director)  
Simon Weldon (Managing Director, Sales and Marketing)  
Mark Friend (Managing Director, Operations)  
Mike Hammond (IFA Sales Director)

**INVESTMENT ADVISER:** Premier Fund Managers Limited is the Investment Adviser to the Elan Diversified Income Fund. Premier Fund Managers Limited has appointed Investment Manager Selection Limited as Sub-Investment Adviser to the Elan Diversified Income Fund.

**DEPOSITARY:** The Royal Bank of Scotland plc  
Trustee & Depositary Services  
The Broadstone,  
50 South Gyle Crescent,  
Edinburgh, EH12 9UZ

**AUDITORS:** Grant Thornton UK LLP  
30 Finsbury Square,  
London, EC2P 2YU

**ADMINISTRATORS & REGISTRAR:** Northern Trust International Fund  
Administration Services (UK) Limited and  
Northern Trust Global Services Limited  
PO Box 55736, 50 Bank Street,  
Canary Wharf,  
London, E14 1BT

### COMPANY INFORMATION

The Elan Fund is an Investment Company with Variable Capital under regulation 12 of the Open-Ended Investment Company Regulations and incorporated in England and Wales under registered number IC000497 and authorised by the FSA with effect from 27th November 2006. The Company is an umbrella company and comprised of three sub-funds, Elan Diversified Income Fund, Elan Growth Fund and Elan High Income Fund. At the year end date, only the Elan Diversified Income Fund was launched.

Shareholders of the Company are not liable for the debts of the Company.

The Company is a non-UCITS scheme which complies with the FSA's Collective Investment Schemes sourcebook.

### STATEMENT OF ACD AND DEPOSITARY'S RESPONSIBILITIES IN RELATION TO THE ACCOUNTS OF THE SCHEME

The Open-Ended Investment Companies Regulations 2001 and the FSA's Collective Investment Schemes sourcebook ("the Regulations") require the ACD to prepare accounts for each annual accounting period together with half-yearly reports, which give a true and fair view of the financial position of the scheme as at the end of the period and of the net income and the net gains or losses on the property of the scheme for the period then ended. In preparing the accounts, the ACD is required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- comply with the disclosure requirements of the Statement of Recommended Practice relating to 'Financial Statements of Authorised Funds', issued by the IMA in December 2005 and the Instrument of Incorporation.
- follow UK generally accepted accounting principles and applicable accounting standards.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements.

The ACD is responsible for the management of the Scheme in accordance with its Instrument of Incorporation, the Prospectus and the Regulations.

The Depositary is responsible for safeguarding the property of the Scheme and must take reasonable care to ensure that the Scheme is managed by the ACD in compliance with the Regulations and the provisions of the Instrument of Incorporation and Prospectus.

The ACD and Depositary are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## MANAGEMENT AND ADMINISTRATION

### REPORT OF THE ACD TO THE SHAREHOLDERS OF THE COMPANY

The ACD, as sole director, presents its report and the audited financial statements of the Company for the period from 11th December 2006 to 30th April 2008.

The Company is a non-UCITS Scheme which complies with the FSA's Collective Investment Schemes sourcebook. The shareholders are not liable for the debts of the Company.

The Investment Objectives, Policies and activities of the sub-fund during the period are covered in the Investment Objective and Policies section. The names and addresses of the ACD, the Depositary and the Auditor are detailed on page 2.

In the future there may be other sub-funds of the umbrella Company. As a sub-fund is not a legal entity, if the assets attributable to any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall might have to be met out of the assets attributable to one or more other sub-funds of the umbrella Company.

### DIRECTORS' STATEMENT

In accordance with the Regulations, we hereby certify the report on behalf of the Directors of Premier Portfolio Managers Limited.



Neil Macpherson

Finance Director (of the ACD)

11th August 2008

Mark Friend

Managing Director, Operations (of the ACD)

### REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS FOR THE PERIOD FROM 11TH DECEMBER 2006 TO 30TH APRIL 2008 FOR THE ELAN FUND ('THE COMPANY')

The Depositary is responsible for the safekeeping of all the property of the Company (other than tangible moveable property) which is entrusted to it. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the FSA's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 and the Instrument of Incorporation in relation to the pricing of, and dealings in, shares in the Company, the application of the income of the Company, and the investment and borrowing powers and restrictions applicable to the Company.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary, it is our opinion that:

- the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and
- the application of the Company's income have, in all material respects, been carried out in accordance with the provisions of:
  - the Regulations and
  - the Open-Ended Investment Companies Regulations 2001 and
  - the Instrument of Incorporation of the Company

and that, in all material respects, the investment and borrowing powers and restrictions applicable to the Company, in accordance with the provision of the Regulations and Instrument of Incorporation, have been observed.

The Royal Bank of Scotland plc

Trustee & Depositary Services

11th August 2008

# MANAGEMENT AND ADMINISTRATION

## REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF THE ELAN FUND

We have audited the financial statements of The Elan Fund for the period ended 30th April 2008. These financial statements consist of the portfolio statement, the statement of total return, the statement of change in shareholders' net assets, the balance sheet, the summary of material portfolio changes and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with regulation 67(2) of the Open-Ended Investment Companies Regulations 2001, and with Rule 4.5.12 of the Collective Investment Schemes sourcebook issued by the FSA under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Authorised Corporate Director (ACD) and the Auditor

The ACD's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (IMA), the Financial Services Association (FSA's) Collective Investment Schemes sourcebook and the Instrument of Incorporation are set out in the Statement of the ACD and Depositary's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the IMA, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation. We also report to you whether the information given in the ACD's Report is consistent with the financial statements and we state whether we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

In addition, we report to you if, in our opinion, proper accounting records for the Company have not been kept, or if the financial statements are not in agreement with those records.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises comparative tables, investment objectives and policies, investment reviews, total expense ratios and the report of the ACD. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company as at 30th April 2008 and of the net income and net losses of the scheme property of the Company for the period then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to 'Financial Statements of Authorised Funds' issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook, and the Instrument of Incorporation;
- the information given in the Report of the ACD is consistent with the financial statements.

We have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton UK LLP  
Chartered Accountants and Registered Auditors  
London, England

11th August 2008

# ELAN DIVERSIFIED INCOME FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
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#### Income shares

2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008 <sup>2</sup>	100.06	91.78

#### Accumulation shares

2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008 <sup>2</sup>	101.61	92.98

### Income/Accumulation Record

Calendar Year	Net Income per Share (p)	Net Income per £1,000 since launch (£)
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#### Income Shares

2006 <sup>1</sup>	-	-
2007	1.3832	13.83
2008 <sup>2</sup>	0.9524	9.52

#### Accumulation Shares

2006 <sup>1</sup>	-	-
2007	1.3218	13.22
2008 <sup>2</sup>	0.9652	9.65

### Net Asset Values

As at	Shares In Issue	Net Asset Value Per Share (p)	Net Asset Value of sub-fund (£)
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#### Income Shares

30/04/2008	20,761,103	95.02	22,328,378
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#### Accumulation Shares

30/04/2008	2,674,684	97.25	22,328,378
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<sup>1</sup> From 11th December 2006 to 31st December 2006

<sup>2</sup> To 30th April 2008.

## TOTAL EXPENSE RATIOS (TERs)

30/04/08

2.88%

The TERs show the annual operating expenses of the sub-fund including the annual management charge and other expenses. It does not include transaction charges. Funds highlight the TER to help you compare the annual operating expenses to different schemes. The TER for income and accumulation shares is the same.

## INVESTMENT OBJECTIVE AND POLICY

The investment objective of the Elan Diversified Income Fund is to provide income together with some long term capital growth from a portfolio of investments. The Fund will achieve this by investing mainly in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.

## INVESTMENT REVIEW

### Performance

The Elan Diversified Income Fund fell by 2.7% over the period. It underperformed its peer group over the past six months, largely due to the overweighting of equities in the first half of this period. Global markets dropped sharply as a credit crisis developed. Our bias towards growth orientated funds suffered as liquidity grew scarce and confidence in global economic expansion waned. Our shift to a more defensive posture in January this year proved effective and performance has stabilised since then. None the less, the November to January drop has hurt our longer term relative performance.

### Market Review

Since launch we have gradually moved our equity exposure from an overweight position to neutral, and are now underweight compared to the peer group average as declining consumer and business confidence has been capped by a period of significant market weakness. We have continued to favour larger capitalisation stocks and quality in the belief they will perform best in this slowing growth environment.

### Portfolio Activity

In recent months we have reduced the growth tilt of portfolio holdings and introduced a more balanced mix of funds. The UK, Europe, US and Japan weightings are now neutral or underweight. Asia remains overweight as we believe it still has the best growth potential. We have also introduced more portfolio diversification by adding new holdings in alternative sectors such as (Nevsky) Global Emerging Markets, New Star Global Financials and Schroder AS Agriculture.

The global credit crisis has had one positive benefit, which has been a more rational pricing of risk. This has made fixed interest a more attractive asset class and we have moved from underweight to neutral. The funds came from two sources - equities and property. The latter, which was held as a fixed interest substitute, is still held but at a lower weighting and with emphasis on international, as opposed to UK funds. Within fixed interest we have begun to cautiously introduce an element of credit risk by adding a new holding in Baillie Gifford High Yield Bond. This exposure will be built up gradually. We are also wary of the inflationary pressures that will eventually have to be combated through higher interest rates. As a result, we have already started building a position in Legal & General All-Stocks Index Linked Gilt Index.

### Outlook

Trust lies at the heart of efficient functioning of the modern global financial system. However, as we move further into 2008 and the scale and scope of this century's financial bubble emerges, there is growing mistrust between counterparties as they question each other's ability to pay for, deliver and value assets. This mistrust lies at the heart of the extreme volatility witnessed in the first quarter of 2008, and the seemingly ridiculous valuations (both cheap and expensive) opening up in some asset classes. It is also the cause of the continuing gridlock in the provision of liquidity to the real economy. So what of the future? The collapse of the financial system is in nobody's interest – a thought not lost on the central banks of the developed world, which have, in varying degrees, poured liquidity at the problem. This has brought the markets back from the brink, but it would be foolhardy to think that the deflation of the greatest financial bubble in living memory has run its course, or that there will not be a cost to the real economy. Therefore, we remain cautious in our portfolios. Indeed, midway through the first quarter we increased our cash weightings at the expense of equities, and we continue to recommend an underweight equity, neutral fixed interest and overweight cash position.

Source: Investment Manager Selection Limited, May 2008. Performance data taken from Financial Express Analytics, total return, bid to bid, UK sterling. Past performance is not a guide to future returns.

# ELAN DIVERSIFIED INCOME FUND

## PORTFOLIO OF INVESTMENTS

As at 30th April 2008

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %	Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 89.29%</b>				<b>Total Value of Investments</b>			
<b>America 3.70%</b>				<b>Net Other Assets</b>			
21,067	Findlay Park American Smaller Companies	436	1.95			2,399	10.71
704,894	Skandia American	390	1.75	<b>Total Net Assets</b>			
		<b>826</b>	<b>3.70</b>			<b>22,328</b>	<b>100.00</b>
<b>Europe 3.87%</b>							
203,211	Cazenove European <sup>1</sup>	863	3.87				
		<b>863</b>	<b>3.87</b>				
<b>Far East 4.96%</b>							
33,146	Fidelity South East Asia <sup>1</sup>	167	0.75				
222,432	First State Pacific Asia Leaders 'B' <sup>1</sup>	565	2.53				
250,584	Marlborough Far East Growth	376	1.68				
		<b>1,108</b>	<b>4.96</b>				
<b>Fixed Interest 31.11%</b>							
1,045,253	Baillie Gifford High Yield Bond 'B'	1,045	4.68				
243,195	Franklin Templeton Global Bond 'I' Europe	1,696	7.60				
1,617,461	Fidelity Institutional UK Gilt	1,617	7.26				
1,563,084	Legal & General All-Stocks Index Linked Gilt Index	1,563	7.00				
1,020,358	Old Mutual Corporate Bond	1,020	4.57				
		<b>6,941</b>	<b>31.11</b>				
<b>Global 6.16%</b>							
87,775	JPMorgan Natural Resources	743	3.33				
102,201	New Star Global Financials	271	1.21				
8,840	Nevsky Global Emerging Markets	361	1.62				
		<b>1,375</b>	<b>6.16</b>				
<b>Japan 2.48%</b>							
787,429	Societe Generale Japan Core Alpha <sup>1</sup>	553	2.48				
		<b>553</b>	<b>2.48</b>				
<b>Property 5.14%</b>							
1,403,169	New Star International Property	650	2.91				
809,062	Schroder Unit Trust Global Property	497	2.23				
		<b>1,147</b>	<b>5.14</b>				
<b>United Kingdom 29.00%</b>							
39,759	AXA Framlington UK Select Opportunities	657	2.94				
83,166	Invesco Income	1,074	4.81				
131,831	Jupiter Income	630	2.82				
721,580	Psigma Income <sup>1</sup>	589	2.64				
356,322	Rensburg UK Select Growth	953	4.27				
7,874	Schroder AS Agriculture	565	2.53				
1,569,141	Schroder UK Alpha Plus 'A' <sup>1</sup>	1,568	7.02				
172,485	Standard Life UK Equity <sup>1</sup>	439	1.97				
		<b>6,475</b>	<b>29.00</b>				
<b>Cash 2.87%</b>							
33	Fidelity Institutional Cash	641	2.87				
		<b>641</b>	<b>2.87</b>				

<sup>1</sup> Accumulation Shares/Units.

# ELAN DIVERSIFIED INCOME FUND

## STATEMENT OF TOTAL RETURN

For the period from 11th December 2006 to 30th April 2008

	Notes	30/04/08	
		£'000	£'000
Net losses on investments during the period	2		(767)
Other gains	3		2
Income	4	572	
Expenses	5	(517)	
Finance costs: Interest	7	(2)	
Net income before taxation		53	
Taxation	6	(8)	
Net income after taxation			45
Total return before distributions			(720)
Finance costs: Distributions	7		(445)
<b>Change in net assets attributable to shareholders</b>			<b>(1,165)</b>

## BALANCE SHEET

As at 30th April 2008

	Notes	30/04/08
		£'000
<b>ASSETS</b>		
Portfolio of Investments		19,929
Debtors	8	850
Cash and bank balances	9	2,798
<b>Total other assets</b>		<b>3,648</b>
<b>Total assets</b>		<b>23,577</b>
<b>LIABILITIES</b>		
Creditors	10	(1,051)
Distribution payable	7	(198)
<b>Total liabilities</b>		<b>(1,249)</b>
<b>Net assets attributable to shareholders</b>		<b>22,328</b>

The notes on pages 8 to 11 are an integral part of these financial statements.  
On behalf of Premier Portfolio Managers Limited.

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 11th December 2006 to 30th April 2008

	Notes	30/04/08	
		£'000	£'000
<b>Net assets at the start of the period</b>			-
Movements due to sales and repurchases of shares:			
Amounts receivable on issue of shares		26,773	
Less: Amount payable on cancellation of shares		(3,334)	
			23,439
Stamp Duty Reserve Tax (SDRT)			(4)
Change in net assets attributable to shareholders (see above)			(1,165)
Retained distribution on accumulation shares	7		58
<b>Net assets at the end of the period</b>			<b>22,328</b>



Neil Macpherson  
Finance Director (of the ACD)  
11th August 2008

Mark Friend  
Managing Director, Operations (of the ACD)

# ELAN DIVERSIFIED INCOME FUND

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

For the period from 11th December 2006 to 30th April 2008

Purchases	Cost £'000	Note
Fidelity Institutional Cash	4,400	
Fidelity Institutional UK Gilt	2,786	
Franklin Templeton Global Bond 'I' Europe	2,648	
Franklin Templeton Global Bond 'A' Europe	2,244	
Schroder UK Alpha Plus 'A' <sup>1</sup>	2,190	
Legal & General All-Stocks Index Linked Gilt Index	1,950	
Norwich Property	1,773	
Schroder Unit Trust Global Property	1,600	
Artemis European Growth	1,414	
New Star Investment Funds Property	1,380	
Psigma Income <sup>1</sup>	1,287	
Invesco Income	1,265	
GAM UK Diversified 'A'	1,207	
First State Pacific Asia Leaders 'B' <sup>1</sup>	1,195	
Old Mutual Corporate Bond	1,123	
Invesco Perpetual UK Aggressive	1,116	
Baillie Gifford High Yield Bond 'B'	1,050	
Rensburg UK Select Growth	1,040	
Societe Generale Japan Core Alpha <sup>1</sup>	1,025	
JPMorgan Natural Resources	1,004	
New Star International Property	886	
Jupiter Income	885	
Artemis Capital	872	
Cazenove European <sup>1</sup>	800	
Mellon Newton Global Higher Income	750	
AXA Framlington UK Select Opportunities	660	
Schroder AS Agriculture	599	
Findlay Park American Smaller Companies	541	
Skandia American	500	
Other	2,200	
<b>Total purchases during the period</b>	<b>42,390</b>	<b>14</b>
<b>Sales</b>	<b>Proceeds £'000</b>	
Fidelity Institutional Cash	3,870	
Franklin Templeton Global Bond 'A' Europe	2,237	
Norwich Property	1,695	
Artemis European Growth	1,373	
New Star Investment Funds Property	1,147	
Fidelity Institutional UK Gilt	1,110	
Franklin Templeton Global Bond 'I' Europe	1,101	
GAM UK Diversified 'A'	1,052	
Invesco Perpetual UK Aggressive	1,035	
First State Pacific Asia Leaders 'B' <sup>1</sup>	989	
Schroder Unit Trust Global Property	903	
Artemis Capital	812	
Mellon Newton Global Higher Income	740	
Psigma Income <sup>1</sup>	587	
Schroder UK Alpha Plus 'A' <sup>1</sup>	497	
Societe Generale Japan Core Alpha <sup>1</sup>	475	
Legal & General All-Stocks Index Linked Gilt Index	400	
JPMorgan Natural Resources	400	
Findlay Park American Smaller Companies	241	
New Star International Property	200	
Other	830	
<b>Total sales during the period</b>	<b>21,694</b>	<b>14</b>

Please note: the purchases and sales shown represent all those with a value of 2% or more of the net asset value of the Fund at the start of the period (or at the end of the period for the Fund's first accounting period) and at minimum the top 20 purchases and sales during the period.

## NOTES TO THE AGGREGATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for 'Financial Statements of Authorised Funds', issued by the IMA in December 2005, the FSA's Collective Investment Schemes sourcebook and the Instrument of Incorporation.

#### Income Recognition

Income from collective investment schemes, and quoted equity and non-equity shares is recognised net of attributable tax credits when the security is quoted ex-dividend.

Accumulation of income relating to accumulation units or shares held in collective investment schemes is recognised as income and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

Income on structured products and renewal commission is recognised when the right to receive the income is established.

Bank interest, underwriting commission and other income are recognised on an accruals basis.

#### Expenses

For accounting purposes, all expenses (other than SDRT and those relating to the purchase and sale of investments) are charged against income for the year on an accruals basis.

#### Distributions

Amounts distributable are calculated after excluding those expenses relating to the purchase and sale of investments which are borne by capital and expenses borne by capital as agreed by the ACD and Depositary.

The ACD and Depositary have agreed that 100% of the Funds' expenses are to be borne by capital.

#### Valuations

All investments are valued at their fair value at noon on 30th April 2008, being the last business day of the financial period.

The fair value of investments managed by the ACD is their single price and the fair value of investments which are managed by other management groups is their contractual bid price.

Structured products are valued at the latest price from the product provider.

#### Taxation

Corporation tax has been provided for at a rate of 20%. Dividend income and taxation are stated net of any associated tax credits. Deferred tax is fully provided for on all timing differences. Deferred tax assets are recognised only to the extent that the assets are considered to be recoverable.

#### Dilution Levy

In certain circumstances the ACD may charge a dilution levy, in accordance with the FSA Regulations, on all subscriptions and redemptions of shares, which is paid into the sub-fund and included in the Statement of Change in Shareholders' Net Assets. The levy is intended to cover certain dealing charges not included in the bid market value of the sub-fund used in calculating the share price, which could have a diluting effect on the performance of the sub-fund.

#### Stamp Duty Reserve Tax (SDRT)

SDRT will be charged to the sub-fund. It is the ACD's view that this will not be material.

# ELAN DIVERSIFIED INCOME FUND

## 2. NET LOSSES ON INVESTMENTS

The net losses on investments during the period comprise:

	30/04/08 £'000
Non-derivative securities	(767)
<b>Net losses on investments</b>	<b>(767)</b>

## 3. OTHER GAINS

Other gains comprise:

	30/04/08 £'000
Other currency gains	2
	<u>2</u>

## 4. INCOME

	30/04/08 £'000
Bank interest	75
<b>Payments from authorised collective investment schemes:</b>	
- Franked distributions	142
- Unfranked distributions	290
Renewal commission	65
	<u>572</u>

## 5. EXPENSES

	30/04/08 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>	
ACD's periodic charge	467
	<u>467</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>	
Depositary's fees	22
Transaction charges	2
	<u>24</u>
<b>Other expenses:</b>	
Auditors' remuneration	5
Registration fees	10
FSA and other regulatory fees	1
Legal fees	7
Printing fees	1
Price publication fees	2
	<u>26</u>
<b>Total expenses</b>	<b><u>517</u></b>

Irrecoverable VAT is included in the above expenses where relevant.

## 6. TAX ON ORDINARY ACTIVITIES

(a) The tax charge comprises:

	30/04/08 £'000
<b>Current tax:</b>	
Irrecoverable income tax	8
<b>Total current tax (note 6 (b))</b>	<b><u>8</u></b>

(b) Factors affecting the tax charge for the period

The tax charged for the period is higher than the special 20% rate of corporation tax applicable to open-ended investment companies (OEICs). The differences are explained below:

	30/04/08 £'000
Net income before taxation	53
	<u>53</u>

Return on ordinary activities multiplied by the special rate of corporation tax of 20%

	11
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**Effects of:**

Irrecoverable income tax	8
Franked UK dividends and distributions not subject to taxation	(28)
Unutilised management expenses	17
<b>Current tax charge (note 6 (a))</b>	<b><u>8</u></b>

Authorised OEICs are exempt from tax on capital gains made within the sub-funds.

Factors that may affect the future tax charge:

The sub-fund has not recognised a deferred tax asset of £17,477 arising as a result of having unutilised management expenses.

## 7. FINANCE COSTS

The distributions take into account income received on the issue of shares and income deducted on the cancellation of shares, and comprise:

	30/04/08 £'000
Interim distribution	256
Interim accumulation	32
Final distribution	198
Final accumulation	26
	<u>512</u>

Add: Income deducted on cancellation of shares

	27
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Deduct: Income received on issue of shares

	(94)
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**Net distributions for the period**

	<b><u>445</u></b>
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Interest

	2
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**Total finance costs**

	<b><u>447</u></b>
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The difference between the net income after taxation and the amounts distributed comprises:

Net income after taxation	45
Expenses taken against capital for distribution purposes	517
Capital trailer commission taken to income	(40)
Tax effect of expenses taken against capital	(77)

**Finance costs: Distributions**

	<b><u>445</u></b>
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# ELAN DIVERSIFIED INCOME FUND

## 8. DEBTORS

	30/04/08 £'000
Accrued income	60
Amounts receivable for issue of shares	56
Recoverable income tax	38
Sales awaiting settlement	696
	<u>850</u>

## 9. CASH AND BANK BALANCES

	30/04/08 £'000
Sterling	2,798
<b>Cash and bank balances</b>	<u>2,798</u>

## 10. CREDITORS

	30/04/08 £'000
Accrued expenses	13
Amounts payable for cancellation of shares	8
Purchases awaiting settlement	1,030
	<u>1,051</u>

## 11. SIGNIFICANT AGREEMENTS AND TRANSACTIONS WITH RELATED PARTIES

### Authorised Corporate Director ("ACD")

The ACD of the sub-fund is Premier Portfolio Managers Limited. The ACD is responsible for managing and administering the sub-fund's affairs in compliance with the FSA Regulations. In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of the sub-fund, calculated on a mid-market basis.

The annual management charge ("AMC") accrues daily and is payable monthly. The current AMC for the sub-fund is set out in note 13 on page 11. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 9. The balance outstanding at the period end was £nil.

### Investment Advisers

The ACD has appointed Premier Fund Managers Limited to provide investment management and advisory services to the ACD. The Investment Adviser has appointed Investment Manager Selection Limited as Sub-Investment Adviser to the sub-fund.

### Depository

The sub-fund's Depository is The Royal Bank of Scotland plc. The Depository is responsible for the safekeeping of all of the scheme property of the sub-fund and has a duty to take reasonable care to ensure that the sub-fund is managed in accordance with the provisions of the FSA Regulations relating to the pricing of and dealing in shares and relating to the income of the Fund. Subject to FSA Regulations, the Depository has full power under the Depository agreement to delegate (and authorise its delegates to sub-delegate) all or any part of its duties as Depository. It has delegated custody services to The Northern Trust Company. The Depository received for its own account a periodic fee which accrues daily and is payable monthly. The fee is payable out of the property attributable to the sub-fund. The rate of the periodic fee is as agreed between the ACD and the Depository from time to time and subject to a current maximum of 0.077% of the value of the relevant sub-fund per annum which may be varied from time to time with the agreement of the ACD and the Depository.

The total remuneration payable to the Depository out of the property attributable to each sub-fund for its services also includes transaction charges and custody charges.

Amounts paid to The Royal Bank of Scotland plc in respect of the Depository's services are disclosed in note 5 on page 9. There was nothing due to the Depository at the period end.

## 12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-funds investment objective, as set out in the investment objective and policy on page 5, the main risks arising from the sub-fund's financial instruments are market price, currency, interest rate, liquidity and counterparty risk.

### Market Price Risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The Investment Adviser considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the sub-fund's investment objective.

The Investment Adviser and Sub-Investment Adviser do not use derivative instruments to hedge the investment portfolio against risks as, in their opinion, the cost of such a process would result in an unacceptable reduction in the potential capital growth.

### Currency Risk

There was no direct foreign currency exposure within the sub-fund at the balance sheet date. However, there was indirect foreign currency exposure through the sub-fund's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations.

### Interest Rate Risk

The sub-fund does not have any material direct interest rate risk as the majority of financial assets are in collective investment schemes, which do not pay interest. However, some of the underlying collective investment scheme investments may be directly or indirectly exposed to interest rate risk.

The only interest-bearing financial asset of the sub-fund is bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent.

### Liquidity Risk

The sub-fund's assets comprise mainly readily realisable securities, which can be readily sold. The main liability of the sub-fund is the redemption of any shares that investors wish to sell. All the financial liabilities of the sub-fund fall within one year.

### Counterparty Risk

The sub-fund will be exposed to counterparty risk on parties with whom it trades and will bear the risk of settlement default. The sub-fund minimises concentrations of credit risk by undertaking transactions with a large number of counterparties on recognised and reputable exchanges. The sub-fund only buys and sells investments through brokers which have been approved by the Investment Adviser as an acceptable counterparty and from recognised product providers.

### Fair Value of Financial Assets and Financial Liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the sub-fund disclosed in the Balance Sheet on page 7.

### Derivatives

The sub-fund does not hold any derivatives that could materially impact the value of the sub-fund.

## 13. SHARE CLASSES

The sub-fund currently has 2 classes of share, Class 1 (Income) and Class 2 (Accumulation). The Annual Management Charge on each share class is as follows:

Class 1: 1.75%

Class 2: 1.75%

The net asset value, the net asset value per share and the number of shares in issue are given in the comparative tables on page 5. The distribution per share class is given in the distribution tables on page 11.

## 14. PORTFOLIO TRANSACTION COSTS

As the sub-fund mainly invests in collective investment schemes, there are no material transaction costs.

## 15. DISTRIBUTION TABLES

For the period from 11th December 2006 to 31st October 2007

Interim distribution in pence per share

### Income shares

	Net		Distribution
	Income	Equalisation	Paid 31/12/07
Group 1	1.3832	-	1.3832
Group 2	0.7037	0.6795	1.3832

### Accumulation shares

	Net		Accumulation
	Income	Equalisation	Paid 31/12/07
Group 1	1.3218	-	1.3218
Group 2	0.5685	0.7533	1.3218

For the period from 1st November 2007 to 30th April 2008

Final distribution in pence per share

### Income shares

	Net		Distribution
	Income	Equalisation	Payable 31/08/08
Group 1	0.9524	-	0.9524
Group 2	0.6133	0.3391	0.9524

### Accumulation shares

	Net		Accumulation
	Income	Equalisation	Payable 31/08/08
Group 1	0.9652	-	0.9652
Group 2	0.4256	0.5396	0.9652

## Administration Queries

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