

# Elan Diversified Income Fund

a sub fund of the Elan Fund

Interim Report and Financial Statements (Unaudited)

For the period from 1st May 2008 to 31st October 2008

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## MANAGEMENT AND ADMINISTRATION

The Authorised Corporate Director (“ACD”) and registered office of The Elan Fund (“the Fund”):

### 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 11th December 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 period 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 unaudited financial statements of the Fund for the period from 1st May 2008 to 31st October 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 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)

23rd December 2008

Mark Friend

Managing Director, Operations (of the ACD)

# ELAN DIVERSIFIED INCOME FUND

## COMPARATIVE TABLES

### Performance Record

Calendar Year	High (p)	Low (p)
<b>Income Shares</b>		
2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008 <sup>2</sup>	100.06	76.92
<b>Accumulation Shares</b>		
2006 <sup>1</sup>	100.35	99.82
2007	105.09	95.88
2008 <sup>2</sup>	101.61	78.73

### Accumulation Record

Calendar Year	Net Income per Share (p)	Net Income per £1,000 at Launch (£)
<b>Income Shares</b>		
2006 <sup>1</sup>	-	-
2007	1.3832	13.83
2008 <sup>2</sup>	1.7490	17.49
<b>Accumulation Shares</b>		
2006 <sup>1</sup>	-	-
2007	1.3218	13.22
2008 <sup>2</sup>	1.7825	17.82

### Net Asset Values

As at	Shares In Issue	Net Asset Value per Share (p)	Net Asset Value of Sub-Fund (£)
<b>Income Shares</b>			
30/04/2008	20,761,103	95.02	22,328,378
31/10/2008	20,397,551	78.47	18,249,576
<b>Accumulation Shares</b>			
30/04/2008	2,674,684	97.25	22,328,378
31/10/2008	2,766,173	81.13	18,249,576

<sup>1</sup> From 11th December 2006 to 31st December 2006.

<sup>2</sup> To 31st October 2008.

## TOTAL EXPENSE RATIO (TER)

30/04/08

2.88%

The TER shows 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 sub-fund is to provide income together with some long term capital growth from a portfolio of investments. The investment policy of the sub-fund is to invest in units in collective investment schemes. The sub-fund may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.

## INVESTMENT REVIEW

### PERFORMANCE

The Fund outperformed its peer group over the past six months and returned a fall of 16.2% and its IMA Cautious Managed Sector returned a fall of 16.6%. This was through a combination of asset allocation i.e. the underweight in equities and overweight in bonds, cash and cash proxy vehicles, as well as fund selection, which was strong in relative terms across most sectors and asset classes.

### MARKET REVIEW

Over the past six months we have maintained a cautious outlook, keeping equity exposure underweight relative to the peer group average. We also added to our bond exposure maintaining the bias towards sovereign debt and increasing exposure to higher quality, investment grade debt through the addition of Fidelity Moneybuilder Income.

### PORTFOLIO ACTIVITY

Worries about the health of the global financial system have dominated markets over the period. From mid-July, global equity market indices fell below their previous lows for the year observed in March, when under the guidance of the monetary authorities, Bear Stearns was taken over by JPMorgan. Although the flight to quality did benefit sovereign debt, corporate bonds sold off sharply along with equities. As investor sentiment continued to deteriorate and the likelihood of recession appeared, we adopted even more of a defensive bias, selling out of some of the more aggressively managed funds, such as New Star Global Financials, Old Mutual Corporate Bond and JPMorgan Natural Resources. These were replaced with more pragmatic, defensive managers, such as Jupiter Financial Opportunities, where the manager is prepared to hold higher levels of cash in uncertain market conditions. Another new fund that we added and subsequently sold during the period was the absolute return oriented JPMorgan Income Opportunities (formerly known as JPMorgan Highbridge Income).

### OUTLOOK

The economic environment remains very uncertain and the recent deterioration in growth, especially in Europe and Japan, coupled with the ongoing financial turmoil, accelerated the fall of all risky assets. Market perception has moved from fears of higher inflation to expectations of recession in the major developed economies. These new developments had at least one positive impact in allowing a sharp reversal in commodity prices and a decrease in inflation expectations. If commodity prices stay at their current levels, then inflation should slow down significantly in the coming months and allow a stabilisation in core inflation, which should be beneficial for equities and even better for bonds.

The continuing slowdown will probably weigh on equities. Consensus earning expectations remain too high and there will need to be downward revisions, particularly within the Financial and Consumer sectors. Bonds should be the preferred asset class in the current macro environment as growth slows and inflation falls. However, corporate credit will probably continue to be impacted by increasing balance sheet constraints in the banking sector.

The global slowdown in economic growth should have a bigger impact on more cyclical markets like Japan. The US is likely to be the first developed market to show an improvement in its earnings evolution due to its leading position in the economic cycle. Despite this clear relative macro advantage however, valuations in the US look less attractive compared to other markets. The situation is different in emerging markets where Asia looks in a better position to withstand a global economic slowdown and where earnings have already been significantly downgraded (compared to Latin America and emerging Europe). In addition, the longer term growth prospects in emerging markets continue to look more attractive compared to developed markets.

Source: Investment Manager Selection Limited, November 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 31st October 2008

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>COLLECTIVE INVESTMENT SCHEMES 98.52% (89.29%)</b>			
<b>America 7.50% (3.70%)</b>			
50	Fidelity Institutional US Dollar <sup>1</sup>	519	2.84
25,936	Findlay Park American Smaller Companies	467	2.56
920,877	Skandia American	383	2.10
		<b>1,369</b>	<b>7.50</b>
<b>Europe 10.02% (3.87%)</b>			
314,145	Artemis Income	416	2.28
210,488	Cazenove European 'X' <sup>1</sup>	710	3.89
65	Fidelity Institutional Euro <sup>1</sup>	703	3.85
		<b>1,829</b>	<b>10.02</b>
<b>Far East 4.24% (4.96%)</b>			
174,857	First State Asia Pacific Leaders 'B' <sup>1</sup>	327	1.79
422,333	Marlborough Far East Growth	447	2.45
		<b>774</b>	<b>4.24</b>
<b>Fixed Interest 34.02% (31.11%)</b>			
1,012,093	Baillie Gifford High Yield Bond 'B'	760	4.16
225,454	Franklin Templeton Global Bond Euro	1,773	9.72
5,075,843	Fidelity MoneyBuilder	1,317	7.22
83,166	Invesco Income	863	4.73
1,230,714	Legal & General Index Linked Gilt Index	718	3.93
810,368	Legal & General All-Stocks Index Linked Gilt Index	778	4.26
		<b>6,209</b>	<b>34.02</b>
<b>Global 3.71% (6.16%)</b>			
208,659	First State Global Resources 'B' <sup>1</sup>	367	2.01
14,269	Nevsky Global Emerging Markets	310	1.70
		<b>677</b>	<b>3.71</b>
<b>Japan 4.66% (2.48%)</b>			
1,437,610	Societe Generale Japan Core Alpha <sup>1</sup>	850	4.66
		<b>850</b>	<b>4.66</b>
<b>Property 5.13% (5.14%)</b>			
1,423,902	New Star International Property	622	3.41
809,062	Schroder Unit Trust Global Property	314	1.72
		<b>936</b>	<b>5.13</b>
<b>United Kingdom 28.78% (29.00%)</b>			
612,000	Absolute Return Targeted Positive Return	606	3.32
403,662	Advance Frontier	132	0.72
110,421	AXA Framlington UK Select Opportunities	763	4.18
456,070	BlackRock UK Dynamic	440	2.41
11,850	JPMorgan Europe Highridge Income Opportunities	902	4.94
80,107	Jupiter Financial Opportunities	235	1.29
721,580	Psigma Income	423	2.32
7,874	Schroder Alternative Solutions Agriculture <sup>1</sup>	507	2.78
1,341,492	Schroder UK Alpha Plus 'A'	867	4.75
224,209	Standard Life UK Equity Growth <sup>1</sup>	377	2.07
		<b>5,252</b>	<b>28.78</b>

Holding	Investment	Market Value £'000	Total Value of Sub-Fund %
<b>Cash 0.46% (2.87%)</b>			
4	Fidelity Institutional Cash Fund	84	0.46
		<b>84</b>	<b>0.46</b>
<b>Total Value of Investments</b>		<b>17,980</b>	<b>98.52</b>
<b>Net Other Assets</b>		<b>270</b>	<b>1.48</b>
<b>Total Net Assets</b>		<b>18,250</b>	<b>100.00</b>

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

Figures in brackets represent sector distribution at 30th April 2008.

# ELAN DIVERSIFIED INCOME FUND

## STATEMENT OF TOTAL RETURN

For the period from 1st May 2008 to 31st October 2008

	Notes	31/10/08		31/10/07	
		£'000	£'000	£'000	£'000
Net (losses)/gains on investments during the period	2		(3,656)		796
Other (losses)/gains	3		(17)		6
Income	4	237		311	
Expenses	5	(214)		(319)	
Finance costs: Interest	7	(4)		-	
Net income/(expense) before taxation		19		(8)	
Taxation	6	(4)		(16)	
Net income/(expense) after taxation			15		(24)
Total return before distributions			(3,658)		778
Finance costs: Distributions	7		(186)		(231)
<b>Change in net assets attributable to shareholders</b>			<b>(3,844)</b>		<b>547</b>

## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

For the period from 1st May 2008 to 31st October 2008

	Notes	31/10/08		31/10/07	
		£'000	£'000	£'000	£'000
<b>Net assets at the start of the period</b>			<b>22,328</b>		<b>-</b>
Movements due to sales and repurchases of shares:					
Amounts receivable on issue of shares		1,274		22,840	
Less: Amount payable on cancellation of shares		(1,528)		(1,758)	
			(254)		21,082
Stamp Duty Reserve Tax (SDRT)			(3)		(2)
Change in net assets attributable to shareholders (see above)			(3,844)		547
Retained distribution on accumulation shares	7		23		32
<b>Net assets at the end of the period</b>			<b>18,250</b>		<b>21,659</b>

## BALANCE SHEET

As at 31st October 2008

	Notes	31/10/08		30/04/08	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Portfolio of Investments			17,980		19,929
Debtors	8		141		850
Cash and bank balances	9		437		2,798
<b>Total other assets</b>			<b>578</b>		<b>3,648</b>
<b>Total assets</b>			<b>18,558</b>		<b>23,577</b>
<b>LIABILITIES</b>					
Creditors	10		(146)		(1,051)
Distributions payable on income shares	7		(162)		(198)
<b>Total liabilities</b>			<b>(308)</b>		<b>(1,249)</b>
<b>Net assets attributable to shareholders</b>			<b>18,250</b>		<b>22,328</b>

The notes on pages 7 to 10 are an integral part of these financial statements  
On behalf of Premier Portfolio Managers Limited.



Neil Macpherson  
Finance Director (of the ACD)  
23rd December 2008

Mark Friend  
Managing Director, Operations (of the ACD)

# ELAN DIVERSIFIED INCOME FUND

## SUMMARY OF MATERIAL PORTFOLIO CHANGES

As at 31st October 2008

Purchases	Cost £'000	Note
Fidelity Institutional US Dollar <sup>1</sup>	2,617	
Fidelity Institutional Cash Fund	2,000	
Fidelity MoneyBuilder	1,415	
AXA Framlington UK Select Opportunities	1,084	
JPMorgan Europe Highridge Income Opportunities	900	
JPMorgan Income Opportunities	900	
JPMorgan Natural Resources 'A' <sup>1</sup>	803	
Absolute Return Targeted Positive Return	803	
Legal & General All-Stocks Index Linked Gilt Index	760	
Fidelity Institutional Euro <sup>1</sup>	707	
Psigma Income	700	
Franklin Templeton Global Bond Euro	687	
BlackRock UK Dynamic	680	
First State Global Resources 'B' <sup>1</sup>	588	
Artemis Income	490	
Old Mutual Corporate Bond	451	
Societe Generale Japan Core Alpha <sup>1</sup>	410	
Jupiter Financial Opportunities	240	
Baillie Gifford High Yield Bond 'B'	225	
Advance Frontier	220	
Other	921	
<b>Total purchases during the period</b>	<b>17,601</b>	<b>15</b>
<b>Sales</b>	<b>Proceeds £'000</b>	
Fidelity Institutional Cash Fund	2,600	
Fidelity Institutional US Dollar <sup>1</sup>	2,267	
Fidelity Institutional UK Gilt	1,584	
Old Mutual Corporate Bond	1,416	
JPMorgan Income Opportunities	900	
Rensburg UK Select Growth	873	
Franklin Templeton Global Bond Euro	821	
Legal & General Index Linked Gilt Index	810	
JPMorgan Natural Resources 'A' <sup>1</sup>	803	
Psigma Income	700	
AXA Framlington UK Select Opportunities	674	
Jupiter Income	610	
JPMorgan Natural Resources 'A'	556	
New Star Global Financials	240	
Cazenove Euro Fund 'X' <sup>1</sup>	229	
Schroder UK Alpha Plus 'A'	220	
First State Asia Pacific Leaders 'B' <sup>1</sup>	208	
Baillie Gifford High Yield Bond 'B'	200	
Fidelity South East Asia <sup>1</sup>	134	
GAM UK Diversified 'A'	3	
Other	47	
<b>Total sales during the period</b>	<b>15,895</b>	<b>15</b>

<sup>1</sup> Accumulation shares/units.

Please note: the purchases and sales shown represent all those with a value of 2% or more of the net asset value of the sub-fund at the start of the period and at minimum the top 20 purchases and sales during the period.

## NOTES TO THE 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 plans and unquoted investments is recognised when the right to receive the income is established.

Bank interest, interest on debt securities, 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 period 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 sub-funds' expenses are to be borne by capital.

#### Valuations

All investments are valued at their fair value at noon on 31st October 2008, being the last business day of the financial period. The fair value of equity and non-equity shares is bid price, excluding any accrued interest.

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 plans 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)/GAINS ON INVESTMENTS

The net (losses)/gains on investments during the period comprise:

	31/10/08 £'000	31/10/07 £'000
Non-derivative securities	(3,656)	796
<b>Net (losses)/gains on investments</b>	<b>(3,656)</b>	<b>796</b>

## 3. OTHER (LOSSES)/GAINS

Other (losses)/gains comprise:

	31/10/08 £'000	31/10/07 £'000
Other currency (losses)/gains	(17)	6
	<b>(17)</b>	<b>6</b>

## 4. INCOME

	31/10/08 £'000	31/10/07 £'000
Bank interest	11	51
<b>Payments from authorised collective investment schemes:</b>		
- Franked distributions	50	69
- Unfranked distributions	149	182
Renewal commission	27	9
	<b>237</b>	<b>311</b>

## 5. EXPENSES

	31/10/08 £'000	31/10/07 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	190	278
	<b>190</b>	<b>278</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fees	9	13
Transaction charges	-	1
	<b>9</b>	<b>14</b>
<b>Other expenses:</b>		
Auditors' remuneration	4	5
Registration fees	5	13
Legal fees	-	7
Printing fees	1	1
Price publication fees	5	1
	<b>15</b>	<b>27</b>
<b>Total expenses</b>	<b>214</b>	<b>319</b>

Irrecoverable VAT is included in the above expenses where relevant.

## 6. TAX ON ORDINARY ACTIVITIES

(a) The tax charge comprises:

	31/10/08 £'000	31/10/07 £'000
<b>Current tax:</b>		
Irrecoverable income tax	4	16
	<b>4</b>	<b>16</b>
<b>Total current tax (note 6 (b))</b>	<b>4</b>	<b>16</b>

(b) Factors affecting the tax charge for the year

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

	31/10/08 £'000	31/10/07 £'000
Net income/(expense) before taxation	19	(8)
	<b>19</b>	<b>(8)</b>
Return on ordinary activities multiplied by the special rate of corporation tax of 20% (2007: 20%)	4	(2)
<b>Effects of:</b>		
Franked UK dividends and distributions not subject to taxation	(10)	(14)
Irrecoverable income tax	4	16
Expenses not deducted for tax purposes	-	2
Expenses not utilised in period	6	14
<b>Current tax charge (note 6 (a))</b>	<b>4</b>	<b>16</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 £6,041 (2007: £13,747) 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:

	31/10/08 £'000	31/10/07 £'000
Interim distribution	162	256
Interim accumulation	23	32
	<b>185</b>	<b>288</b>
Add: Income deducted on cancellation of shares	5	21
Deduct: Income received on issue of shares	(4)	(78)
<b>Net distributions for the period</b>	<b>186</b>	<b>231</b>
Interest	4	-
<b>Total finance costs</b>	<b>190</b>	<b>231</b>

# ELAN DIVERSIFIED INCOME FUND

The difference between the net income after taxation and the amounts distributed comprises:

Net income/(expense) after taxation	15	(24)
Expenses offset against capital	214	319
Tax effect on expenses offset against capital	(43)	(64)

<b>Finance costs: Distributions</b>	<b>186</b>	<b>231</b>
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## 8. DEBTORS

	31/10/08 £'000	30/04/08 £'000
Accrued income	85	60
Amounts receivable for issue of shares	-	56
Recoverable income tax	56	38
Sales awaiting settlement	-	696
	<b>141</b>	<b>850</b>

## 9. CASH AND BANK BALANCES

	31/10/08 £'000	30/04/08 £'000
Sterling	437	2,798
<b>Cash and bank balances</b>	<b>437</b>	<b>2,798</b>

## 10. CREDITORS

	31/10/08 £'000	30/04/08 £'000
Accrued expenses	45	13
Amounts payable for cancellation of shares	6	8
Purchases awaiting settlement	95	1,030
	<b>146</b>	<b>1,051</b>

## 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 14 on page 10. Amounts paid to Premier Portfolio Managers Limited in respect of the ACD's periodic charge are disclosed in note 5 on page 8. The balance outstanding at the period end was £nil (2007: £nil).

### Investment Adviser

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 sub-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 8. The balance due to the Depository at the period end was £nil (2007: £nil).

## 12. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the balance sheet date (2007: £nil).

## 13. DERIVATIVE AND OTHER FINANCIAL INSTRUMENTS

In pursuing the sub-funds investment objective, as set out in the investment objective and policy on page 4, the main risks arising from the sub-funds 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 and sub-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

Other than cash and bank balances and bank overdrafts there was no direct foreign currency exposure within the sub-fund at the balance sheet date. However, there was significant foreign currency exposure within 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 and sub-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 6.

## Derivatives

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

## 14. SHARE CLASSES

The sub-fund currently has 2 classes of share, Class 1 (Income) and Class 2 (Accumulation). The AMC 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 4. The distribution per share class is given in the distribution tables below.

## 15. PORTFOLIO TRANSACTION COSTS

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

## DISTRIBUTION TABLES

For the period from 1st May 2008 to 31st October 2008

### Interim dividend distribution in pence per share

#### Income Shares

	Net		Distribution	Distribution
	Income	Equalisation	Payable 31/12/08	Paid 31/12/07
Group 1	0.7966	-	0.7966	1.3832
Group 2	0.5037	0.2929	0.7966	1.3832

#### Accumulation Shares

	Net		Accumulation	Accumulation
	Income	Equalisation	Payable 31/12/08	Paid 31/12/07
Group 1	0.8173	-	0.8173	1.3218
Group 2	0.5716	0.2457	0.8173	1.3218

## Administration Queries

Premier Portfolio Managers Limited  
PO BOX 55736,  
50 Bank Street, Canary Wharf,  
London E14 1BT  
Tel: 0845 605 63 63

## Further Information

Premier Portfolio Managers Limited  
Eastgate Court, High Street,  
Guildford, Surrey GU1 3DE  
Tel: 01483 306 090  
Fax: 01483 300 845  
email: [enquiries@premierfunds.co.uk](mailto:enquiries@premierfunds.co.uk)  
Web: [www.premierassetmanagement.co.uk](http://www.premierassetmanagement.co.uk)

## This document is issued by:

Premier Portfolio Managers Limited  
Eastgate Court, High Street, Guildford, Surrey GU1 3DE

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You should remember that past performance is not a guide to the future. The price of shares and the income from them may go down as well as up and you may get back less than you invested. Exchange rates will also cause the value of underlying investments to fall or rise. Tax concessions are not guaranteed and may be changed at any time; their value will depend on your individual circumstances. For your protection when dealing, your call may be recorded and monitored. Details of the nature of the investments, the commitment required and fund specific risk warnings are described in the Simplified Prospectus document which is available on request. Large print documents are available on request from the above Guildford address.