



**WAY Fund Managers Limited**

**Elite Charteris  
Premium Income Fund**

Final Report and Audited Financial Statements  
for the accounting period from 1st July 2009 to 30th April 2010

Issue date: 31st August 2010

# ELITE CHARTERIS PREMIUM INCOME FUND

Manager's Report and Accounts  
for the period from 1st July 2009 to 30th April 2010

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# ELITE CHARTERIS PREMIUM INCOME FUND

## **Manager**

WAY Fund Managers Limited  
Cedar House  
3 Cedar Park  
Cobham Road  
Wimborne  
Dorset BH21 7SB  
Telephone: 01202 855 856

## **Directors of the Manager**

P Wilcox (Chairman)  
P Legg  
V Hoare  
A Stevens

## **Trustee**

State Street Trustees Limited  
20 Churchill Place  
Canary Wharf  
London E14 5HJ

## **Independent Auditor**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

## **Investment Adviser**

Charteris Treasury Portfolio Managers Ltd  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2BB

## **Registrar**

WAY Fund Managers Limited  
Cedar House  
3 Cedar Park  
Cobham Road  
Wimbourne  
Dorset BH21 7SB

# ELITE CHARTERIS PREMIUM INCOME FUND

## Additional information

### Changes to the Trust

Following a meeting of shareholders on 7th September 2009 and with effect from 8th September 2009 the following changes were made to the Fund:

- The name of the Fund changed from "Elite Charteris Premium Growth Fund" to the "Elite Charteris Premium Income Fund".
- The objective of the Fund changed from solely seeking to provide investors with capital growth to investing the Fund so as to seek to provide income and capital growth with the priority of generating income (see Investment Objective and Policy on page 3).
- The objective and investment policy of the Fund were changed to include the adoption of wider investment powers (see Investment Objective and Policy on page 3).

### Other Changes to the Trust

The accounting period for the 2010 financial statements is for the ten month period from 1st July 2009 to 30th April 2010. The prior year was the twelve months to 30th June 2009.

With effect from 8th September 2009 the "Net Income Units" unit class was renamed as "Net Retail Income Units" and a new unit class was introduced, being "Net Retail Accumulation Units".

Please also note that following letters to shareholders on 21st October 2009 and 18th December 2009 concerning the method of pricing for the Trust the Manager has allocated a new date for the implementation of 'single pricing'. Therefore with effect from the 1st May 2010 the Trust has moved away from the current 'dual priced' basis to the more commonly used 'single priced' method. The first business day following the effective date was Monday, 3rd May 2010. For more information on this change please contact the Manager at the address above.

# REPORT OF THE INVESTMENT ADVISER

for the period from 1st July 2009 to 30th April 2010

## Investment Objective and Policy

The objective of the Trust is to provide a combination of income and capital growth with a particular emphasis on income.

The Trust will aim to achieve its investment objective through investment in a portfolio of transferable securities (including investment trusts), derivatives, collective investment schemes, warrants, cash, and near cash deposits and money market instruments.

The portfolio will be actively managed and normally remain fully invested save for such operational liquidity as is required from time to time. The assets of the Trust will be managed in such a way that the units in the Trust will be qualifying investments for Individual Savings Accounts. There will, however, be no restrictions on the underlying content of the investments held, in terms of investment type, geographical or economic sector, other than those imposed by the Regulations. This means that the Investment Adviser has the absolute discretion to weight the portfolio towards any investment type or sector, including cash, at any time provided such investment is compatible with the investment objective and policy of the Trust as a whole.

The use of derivatives and/or hedging transactions are permitted in connection with the efficient portfolio management of the Trust, and borrowing will be permitted on a temporary basis under the terms of the Regulations. In particular, derivatives transactions, including options, may be written in respect of the underlying investments of the Trust on a fully covered basis.

On giving sixty days' notice to the Unitholders, the Trust may, in addition to the other investment powers, use derivative and forward transactions for investment purposes. The use of derivatives in this way may change the risk profile of the Trust.

## Trust Performance

During the period 1st July 2009 to 30th April 2010 the Elite Charteris Premium Income Fund showed a total return of 21.93% for the ten month period.

	12 months	2 years	3 years	5 years	*Since Launch
	%	%	%	%	%
Elite Charteris Premium Income Fund	25.65	6.11	5.48	33.83	40.09
IMA UK Equity Income Sector Average	30.10	-1.07	-12.84	28.21	52.02
FTSE 100 Index	35.85	-1.11	-3.15	39.05	45.34

IMA UK All Companies Sector Index.

\*Taken since launch 10th December 2001.

Source: *Lipper Hindsight, Total Return. Net revenue reinvested.*

## REPORT OF THE INVESTMENT ADVISER

for the period ended 30th April 2010

### Discrete Performance

	2006	2007	2008	2009	YTD
	%	%	%	%	%
Elite Charteris Premium Income Fund	9.96	6.38	-20.54	26.01	3.68

*Source: Lipper Hindsight, Total Return Basis, Net revenue reinvested.*

### Investment Review

During the period 1st July 2009 to 30th April 2010 the Trust showed a total return of 21.93% for the ten month period. As investors will be aware the Trust attempts to achieve a substantially enhanced dividend yield through a managed programme of covered call option writing. However this can mean that the price paid to achieve this enhanced dividend yield involves the Trust forgoing some capital gain and registering a degree of underperformance versus the FTSE 100 Index. This was the case for the reference period although the Trust is currently top of the UK Equity Income Sector over the last three years.

### Outlook & Market Overview

The outlook for the FTSE 100 Index and therefore the Trust looks quite benign at present as the economic recovery from the depths of the recession looks set to continue albeit at a rather modest pace judged by historical standards. However although the UK looks like experiencing subdued growth over the next few years many of the overseas markets, particularly Asia are showing much higher levels of economic activity. This will suit the Trust as it is heavily underweight in companies exposed to the UK property and consumer sectors and overweight overseas earners. The strategy of the Trust remains to deliver above average income by writing covered call options whilst trying to simultaneously achieve a degree of capital growth.

Charteris Treasury Portfolio Managers Limited  
Investment Advisor to The Trust

15th July 2010

## PORTFOLIO STATEMENT

as at 30th April 2010

Holding	Market Value £	Percentage of total net assets %
<b>Aerospace &amp; Defence 3.62% (3.55%)</b>		
60,000 BAE Systems	206,700	1.77
3,279,150 Rolls Royce 'C'	3,279	0.03
36,435 Rolls-Royce	211,870	1.82
	<b>421,849</b>	<b>3.62</b>
<b>Banks 9.42% (10.41%)</b>		
54,000 Barclays	184,653	1.58
51,743 HSBC	347,454	2.98
51,250 Lloyds Banking	34,363	0.29
29,999 Standard Chartered	531,582	4.55
5,000 The Royal Bank of Scotland	2,743	0.02
	<b>1,100,795</b>	<b>9.42</b>
<b>Beverages 2.90% (1.97%)</b>		
30,000 Diageo	<b>338,100</b>	<b>2.90</b>
<b>Chemicals 2.99% (1.44%)</b>		
20,000 Johnson Matthey	<b>348,600</b>	<b>2.99</b>
<b>Electricity 8.94% (2.10%)</b>		
125,000 International Power	412,500	3.53
60,000 National Grid	379,800	3.25
23,000 Scottish & Southern Energy	251,850	2.16
	<b>1,044,150</b>	<b>8.94</b>
<b>Food Producers &amp; Processors 2.94% (5.93%)</b>		
30,000 Associated British Foods	303,600	2.60
2,000 Unilever	39,740	0.34
	<b>343,340</b>	<b>2.94</b>
<b>Food Retailers 3.64% (4.29%)</b>		
100,000 Morrison (W) Supermarket	292,400	2.51
30,000 Tesco	131,355	1.13
	<b>423,755</b>	<b>3.64</b>

**PORTFOLIO STATEMENT**  
as at 30th April 2010 - continued

Holding	Market Value £	Percentage of total net assets %
<b>General Finance 1.95% (0.00%)</b>		
60,000 ICAP	<b>227,040</b>	<b>1.95</b>
<b>General Industrials 3.13% (0.00%)</b>		
75,000 Home Retail	204,600	1.75
50,000 Rexam	161,200	1.38
	<b>365,800</b>	<b>3.13</b>
<b>Life Assurance 2.49% (2.76%)</b>		
5,000 Legal & General	4,340	0.04
50,000 Prudential	286,250	2.45
	<b>290,590</b>	<b>2.49</b>
<b>Media &amp; Entertainment 0.30% (2.80%)</b>		
5,000 WPP	<b>35,350</b>	<b>0.30</b>
<b>Mining 18.03% (29.56%)</b>		
10,000 Anglo American	283,550	2.43
5,000 Antofagasta	50,400	0.43
50,000 Fresnillo	406,250	3.48
5,000 Kazakhmys	71,250	0.61
10,000 Lonmin	193,400	1.66
15,000 Randgold Resources	824,886	7.07
2,000 Vedanta Resources	51,240	0.44
20,000 Xstrata	222,800	1.91
	<b>2,103,776</b>	<b>18.03</b>
<b>Oil &amp; Gas 13.96% (17.93%)</b>		
30,000 AMEC	253,350	2.17
40,000 BG	447,800	3.84
55,000 BP	316,525	2.71
18,000 Royal Dutch Shell 'B'	355,950	3.05
20,000 Severn Trent	231,800	1.99
2,000 Tullow Oil	22,780	0.20
	<b>1,628,205</b>	<b>13.96</b>

**PORTFOLIO STATEMENT**  
as at 30th April 2010 - continued

Holding	Market Value £	Percentage of total net assets %
<b>Personal Care &amp; Household 2.95% (1.74%)</b>		
10,000 Reckitt Benckiser	<b>344,000</b>	<b>2.95</b>
<b>Pharmaceuticals 5.14% (4.47%)</b>		
6,000 AstraZeneca	173,460	1.49
35,000 GlaxoSmithKline	426,300	3.65
	<b>599,760</b>	<b>5.14</b>
<b>Support Services 2.60% (0.00%)</b>		
50,000 Experian	<b>303,500</b>	<b>2.60</b>
<b>Telecommunications 4.32% (5.14%)</b>		
350,000 Vodafone	<b>504,700</b>	<b>4.32</b>
<b>Tobacco 2.65% (2.31%)</b>		
15,000 British American Tobacco	<b>309,150</b>	<b>2.65</b>
<b>Utilities 4.83% (1.01%)</b>		
100,000 Centrica	297,800	2.55
50,000 United Utilities	268,750	2.28
	<b>566,550</b>	<b>4.83</b>
<b>Others 0.00% (1.16%)</b>		
	-	-
<b>Portfolio of Investments</b>		
	<b>11,299,010</b>	<b>96.80</b>
Net other assets	373,011	3.20
<b>Net assets</b>	<b>11,672,021</b>	<b>100.00</b>

Note: Comparative figures shown in brackets in bold relate to 30th June 2009.

All equity holdings are ordinary shares unless otherwise stated.

# PERFORMANCE RECORD

## Trust Size

Date	Net asset value (£)	Net asset value pence per unit		Units in issue	
		Income Units	Accumulation Units	Income Units	Accumulation Units
30th June 2008	9,687,833	105.29	-	9,201,363	-
30th June 2009	7,996,186	95.10	-	8,408,131	-
30th April 2010	11,672,021	112.70	112.70	10,355,584	1,521

## Unit Price Range

Calendar Period	Income Units		Accumulation Units	
	Highest Offer (pence)	Lowest Bid (pence)	Highest Offer (pence)	Lowest Bid (pence)
2006	119.30	101.70	-	-
2007	127.10	107.00	-	-
2008	123.40	76.03	-	-
2009	110.36	72.99	-	-
2010*	117.66	104.66	117.66	104.66

## Other Relevant Prices

Date		Income Units		Accumulation Units	
		Offer Price (pence)	Bid Price (pence)	Offer Price (pence)	Bid Price (pence)
10th December 2001	Launch Date	100.00	100.00	-	-
8th April 2010	Creation Date	123.22	116.17	123.22	116.17
30th April 2010	Accounts Date	121.45	114.51	121.45	114.51

  

		Mid Price (pence)	Mid Price (pence)
23rd August 2010	Latest Date	113.12	113.92

The Fund is single priced from 1st May 2010.

## Net Income Accumulation/Distribution

Calendar Year	Income Units		Accumulation Units	
	Pence per unit	Per £1,000 invested on 3rd January 2006 £	Pence per unit	Per £1,000 invested on 8th April 2010 £
2006	1.7301	16.70	-	-
2007	1.7497	16.89	-	-
2008	3.2995	31.85	-	-
2009	1.2571	12.13	-	-
2010*	2.0899	20.17	2.0899	17.99

\* 1st January 2010 to 30th April 2010

## **PERFORMANCE RECORD - *continued***

### **Total Expense**

The TER of the Trust as at 30th April 2010 was 1.67% (30th June 2009: 1.63%)

### **Portfolio**

The PTR is a ratio that reflects the volume of trading within the fund over the course of a twelve month period. The PTR is calculated by taking the sum of all transaction in securities less the sum of all transactions in the fund's shares and is expressed as a percentage of the fund's average net asset value.

The PTR of the Fund as at:

30th April 2010 - 50.67%

30th June 2009 - -3.70%

**Authorised Status**

Elite Charteris Premium Income Fund is an Authorised Unit Trust Scheme as defined in Section 243 of the Financial Services and Markets Act 2000, and is a UCITS Scheme within the meaning of the Financial Services Authority's Collective Investment Schemes sourcebook ("COLL").

**Directors' Statement**

This annual report and financial statements on pages 14 to 27 were approved by the Manager and signed on its behalf by:

A Stevens (Director)

V Hoare (Director)

WAY Fund Managers Limited

31st August 2010

## **Statement of the Manager's Responsibilities**

The Collective Investment Schemes sourcebook as amended (“the Regulations”) requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the Scheme and of its net revenue and net capital gains/(losses) on the property of the Scheme for the period. In preparing the financial statements the Manager is required to:

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

The Manager is responsible for the management of the Scheme in accordance with the Trust Deed, Scheme Particulars and the Regulations. The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Statement of the Trustee's Responsibilities**

The Trustee is under a duty to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority’s Collective Investment Schemes sourcebook relating to Reports it is also the duty of the Trustee to enquire into the conduct of the Manager in the management of the Scheme in each accounting period and to report thereon to unitholders in a report which shall contain the matters prescribed by the rules. A copy of the Trustee’s report is set out below.

## **Report of the Trustee to the Unitholders of the Elite Charteris Premium Income Fund**

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available to us and the explanations provided, that the Manager has in all material respects managed the Scheme during the period in accordance with the investment and borrowing powers and restrictions applicable to the Scheme, and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Services Authority’s Collective Investment Schemes sourcebook.

State Street Trustees Limited  
20 Churchill Place  
London E14 5HJ

31st August 2010

## **Report of the Independent Auditor to the Unitholders of Elite Charteris Premium Income Fund**

We have audited the financial statements of Elite Charteris Premium Income Fund (the 'Trust') for the period from 1st July 2009 to 30th April 2010 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, Notes 1 to 17 and the Distribution Tables. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook issued by the Financial Services Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders 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 Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Manager and the Auditor**

The Manager'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, the Financial Services Authority's Collective Investment Schemes sourcebook, and the trust deed are set out in the Statement of the Manager'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 Investment Management Association, the Financial Services Authority's Collective Investment Schemes sourcebook, and the trust deed. We also report to you whether in our opinion the information given in the Manager's Report (which comprises the management and professional services providers' details, the report of the investment adviser, the portfolio statement and the authorised status) is consistent with the financial statements, and 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 Trust 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 the Performance Record. 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 Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust'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 Trust as at 30th April 2010 and of the net revenue and net capital gains on the scheme property of the Trust for the period then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association in November 2008, the Financial Services Authority's Collective Investment Schemes sourcebook, and the trust deed; and
- the information given in the Manager's Report 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  
Registered Auditor and Chartered Accountants  
London, England

31st August 2010

## STATEMENT OF TOTAL RETURN

for the period from 1st July 2009 to 30th April 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		1,538		(942)
Revenue	6	307		340	
Expenses	7	(124)		(133)	
Finance costs: Interest	9	-		-	
Net revenue before taxation		183		207	
Taxation	8	-		-	
Net revenue after taxation			183		207
<b>Total return before distributions</b>			1,721		(735)
Finance costs: Distributions	9		(262)		(207)
<b>Change in net assets attributable to unitholders from investment activities</b>			1,459		(942)

\*Comparative figures have been restated for the presentation changes following adoption of the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 (see Note 1 on page 16).

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the period from 1st July 2009 to 30th April 2010

	2010		2009	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		7,996		9,688
Amounts receivable on issue of units	3,869		4,277	
Less: Amounts payable on cancellation of units	(1,649)		(5,021)	
		2,220		(744)
Change in net assets attributable to unitholders from investment activities		1,459		(942)
Stamp Duty Reserve Tax		(3)		(6)
<b>Closing net assets attributable to unitholders</b>		11,672		7,996

**BALANCE SHEET**  
as at 30th April 2010

	Notes	2010 £'000	2009 £'000
<b>Assets</b>			
Investment assets		<b>11,299</b>	7,882
Debtors	10	<b>51</b>	93
Cash and bank balances		<b>1,378</b>	267
Total other assets		<b>1,429</b>	360
<b>Total assets</b>		<b>12,728</b>	8,242
<b>Liabilities</b>			
Creditors	11	<b>(839)</b>	(140)
Distribution payable		<b>(217)</b>	(106)
Total other liabilities		<b>(1,056)</b>	(246)
<b>Total liabilities</b>		<b>(1,056)</b>	(246)
<b>Net assets attributable to unitholders</b>		<b>11,672</b>	7,996

# NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010

## 1. Accounting Policies

### Basis of Preparation

The Financial Statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA), in November 2008 (the IMA SORP 2008).

During the period, the Trust adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains and transaction charges are now classified as capital gains or capital losses. There are no material differences.

**Note:** The figures shown for 2010 relate to the period from 1st July 2009 to 30th April 2010. However, the comparatives shown are for the full twelve months from 1st July 2008 to 30th June 2009.

### Valuation of Investments

All investments are valued at their bid price or in the case of shares in open-ended investment companies, their single price at 12 noon on 30th April 2010, being the last working day of the accounting period.

### Revenue

Dividends from equities and distributions from collective investment schemes are included in the property net of tax when the security is quoted ex-dividend/distribution. Bank interest is accounted for on an accruals basis. Returns from written options are accounted for in accordance with the fund manager's intention at the time of writing the option over the contractual period. Accordingly, premiums from "Out of the Money" options written by the Trust are treated as revenue in the income account as they are held in order to enhance revenue, and those "In the Money" are treated as capital.

### Expenses

For accounting purposes, all expenses (other than those relating to the sale and purchase of the investments, transaction charges and stamp duty reserve tax) are charged against revenue for the period on an accruals basis.

### Taxation

Any relevant tax is included in the property of the Trust.

Corporation tax is provided for at a rate of 20%. Deferred tax is provided in respect of timing difference that have originated but not been reversed at the balance sheet date. Deferred tax assets are recognised only to the extent that they are more likely than not to be recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

## 2. Distribution Policies

### a) Basis of Distribution

When appropriate the Trust will allocate any surplus revenue as an income distribution.

From 30th September 2009, all charges (other than those relating to the sale and purchase of investments, transaction charges and stamp duty reserve tax) have been transferred from the income account to the capital account for the purposes of distributions.

### b) Equalisation of Collective Investment Schemes

The first distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of revenue included in the price paid for units. The equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Equalisation received from the underlying investments has been treated as a reduction in the book cost of the investments and not distributed.

## 3. Risk Management Policies

The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure frequently as appropriate the risk of the Trust's positions and their contribution to the overall risk profile of the Trust.

*Market risk* - arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements. The Investment Adviser regularly 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 investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that individual stocks also meet the risk/reward profile that is acceptable.

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

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 3. Risk Management Policies - *continued*

*Liquidity risk* - the Trust's assets comprise mainly realisable securities, which can be readily sold. The Trust may also hold unregulated funds and/or unapproved securities, the liquidity of which may be lower than their regulated and approved equivalents. The main liability of the Trust is the redemption of any shares that investors wish to sell.

*Interest rate risk* - the majority of the Trust's financial assets do not pay interest nor have a maturity date. The Trust's financial liabilities are non-interest bearing which mature within one year. However, the Trust may invest in bond funds, with underlying investments in assets which are subject to risk from interest rate fluctuation.

*Derivatives and/or hedging transactions* - Derivatives transactions are used to hedge the Trust's equity portfolio against market risk. The Trust sells covered call options on a selective basis for this purpose. The primary reason for using derivative transactions is to reduce the market risk associated with the Trust's equity portfolio. However, where the Trust enters into derivative transactions for the reduction of cost or the generation of additional capital or income, the Trust may be exposed to potential losses in the face of market movements (market risk). Where the sold call option position is likely to be closed, it may then be recalculated and resold in order to reduce cost to the Trust. To ensure that the exposure created by the call option is adequately covered at all times, the Investment Adviser covers with constituent equities of the same size and type with the counterparty when the call option is written. For the avoidance of doubt this is such that each written call is covered by the same underlying asset held, upon which the call has been written.

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 4. Net Gains/(Losses) on Investments

The net capital gains/(losses) comprise:

	30/04/2010	30/06/2009
	£'000	£'000
Non-derivative securities	1,693	(939)
Derivative securities	(149)	-
Transaction charges	(6)	(3)
Net capital gains/(losses) on investments	<u>1,538</u>	<u>(942)</u>

### 5. Portfolio Transaction Costs

Analysis of total purchase costs:

	30/04/2010	30/06/2009
	£'000	£'000
Purchases in period before transaction costs	6,147	4,250
Commissions	<u>43</u>	<u>33</u>
<b>Total purchase costs</b>	<u>43</u>	<u>33</u>
<b>Gross purchase costs</b>	<u>6,190</u>	<u>4,283</u>

Analysis of total sale costs:

Gross sales before transaction costs	4,474	4,724
Commissions	<u>(6)</u>	<u>(11)</u>
<b>Total sales costs</b>	<u>(6)</u>	<u>(11)</u>
<b>Total sales net of transaction costs</b>	<u>4,468</u>	<u>4,713</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
as at 30th April 2010 - continued

**6. Revenue**

	<b>30/04/2010</b>	30/06/2009
	<b>£'000</b>	£'000
Franked UK dividends	<b>152</b>	324
Overseas dividends	<b>4</b>	1
Bank interest	<b>2</b>	6
Unfranked CIS distributions	-	8
Unfranked PID revenue	-	1
Option revenue	<b>149</b>	-
	<b>307</b>	340

**7. Expenses**

	<b>30/04/2010</b>	30/06/2009
	<b>£'000</b>	£'000
<b>Payable to the Manager or associates of the Manager:</b>		
Manager's periodic charge	<b>116</b>	121
Registration fees	-	1
	<b>116</b>	122
<b>Payable to the Trustee or associates of the Trustee:</b>		
Trustee's fee	<b>3</b>	3
Safe custody charges	-	1
	<b>3</b>	4
<b>Other expenses:</b>		
Audit fees	<b>5</b>	6
FSA & other regulatory fees	-	1
	<b>5</b>	7
Total expenses	<b>124</b>	133

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 8. Taxation

	30/04/2010 £'000	30/06/2009 £'000
a) Analysis of charge in period:		
Corporation Tax	-	-
Current tax charge (note 8b)	-	-
Deferred tax (note 8c)	-	-
Total taxation	-	-
b) Factors affecting taxation charge for the period:		
Net revenue before taxation	<b>183</b>	207
Corporation tax at 20% (2009: 20%)	<b>37</b>	42
Effects of:		
Franked UK dividends	<b>(31)</b>	(65)
Unutilised management expenses	-	23
Utilised management expenses	<b>(5)</b>	-
Overseas dividends not subject to tax	<b>(1)</b>	-
Current tax charge (note 8a)	-	-
c) Deferred tax		
Provision at the start of the period	-	-
Deferred tax charge in the period	-	-
Provision at the end of the period	-	-

The Trust has not recognised a deferred tax asset of £202,020 (30/06/09: £207,446) arising as a result of having unutilised management expenses. It is unlikely that the Trust will generate sufficient taxable profits in the future to utilise the expenses.

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 9. Finance Costs

#### Distributions and Interest

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

	<b>30/04/2010</b>	30/06/2009
	<b>£'000</b>	£'000
Interim distribution	<b>57</b>	97
Final distribution	<b>217</b>	106
	<b>274</b>	203
Add: Revenue deducted on cancellation of units	<b>3</b>	40
Deduct: Revenue received on issue of units	<b>(15)</b>	(36)
Net distribution for the period	<b>262</b>	207
Interest	-	-
Total finance costs	<b>262</b>	207

#### Movement between Net Income and Distributions

Net revenue after taxation	<b>183</b>	207
Expenses transferred to the capital account	<b>99</b>	-
Tax effect of transferred expenses	<b>(20)</b>	-
	<b>262</b>	207

### 10. Debtors

	<b>30/04/2010</b>	30/06/2009
	<b>£'000</b>	£'000
Accrued income	<b>51</b>	45
Amounts receivable for issue of units	-	46
Sales awaiting settlement	-	2
	<b>51</b>	93

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 11. Creditors

	<b>30/04/2010</b>	30/06/2009
	<b>£'000</b>	£'000
Accrued expenses	<b>19</b>	22
Amounts payable for cancellation of units	<b>3</b>	-
Purchases awaiting settlement	<b>817</b>	118
	<b>839</b>	140

### 12. Equalisation

Equalisation is the accrued revenue included in the price of units purchased during the distribution period (Group 2 units) which is refunded as part of a unitholder's first distribution/accumulation, so as to provide the same distribution/accumulation for all units of the same type. As a repayment of capital it is not liable to Income Tax and should be deducted from the cost of units for Capital Gains Tax purposes.

### 13. Related parties

WAY Fund Managers Limited, together with State Street Trustees Limited are regarded as controlling parties by virtue of having the ability to act in concert in respect of the operations of the Trust.

WAY Fund Managers Limited, a related party, acts as principal on all the transactions of units in the Trust. The aggregate monies received through creations and cancellations are disclosed in the statement of movements in unitholders funds, amounts due to/from WAY Fund Managers Limited in respect of unit transactions at the year end are disclosed in the balance sheet.

Amounts paid to WAY Fund Managers Limited in respect of Manager's periodic charges are disclosed in note 7. £11,935 (30/06/09: £12,279) was due at the period end.

Amounts paid to State Street Trustees Limited in respect of trustee services, safe custody charges and security transaction charges are disclosed in note 7. £1,483 (30/06/09: £2,790) was due at the period end.

Cash balances on deposit with State Street Trustees Limited are disclosed in the balance sheet together with interest due.

Neither WAY Fund Managers Limited nor State Street Trustees Limited entered into any other transactions with the Trust during the period.

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 14. Units

The Trust issues both income and accumulation units. The annual management charge is 1.5% of the value of the Trust. The net asset value per unit is given in the performance record on page 9.

### 15. Financial Instruments

In pursuing its investment objective set out on page 3 the Trust may hold a number of financial instruments. These comprise:

- equity and non-equity shares, units and shares in collective investment schemes. These are held in accordance with the Trust's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations; and
- futures and options.

### 16. Risks of Financial Instruments

The main risks arising from the Trust's financial instruments are market price, liquidity and credit risks. The Manager reviews (and agrees with the Trustee) policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year to which these financial statements relate:

- *Market risk* - arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements.

The Investment Adviser regularly 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 investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The Fund is able to use traded options for Efficient Portfolio Management purposes. The aim of undertaking these contracts is to enhance capital growth in less volatile markets and reduce losses from a downturn in the market. In rapidly rising markets these options may limit capital growth. These options are fully covered by the underlying equities.

The Manager does not currently use derivative instruments to hedge the investment portfolio against market risk.

There were no financial assets denominated in other currencies at the period end.

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30th April 2010 - continued

### 16. Risks of Financial Instruments - continued

- *Interest rate risk* - as the Trust only holds equity investments and minimal levels of cash, there is no significant interest rate risk.

Interest rate risk profile of financial assets and financial liabilities as at 30th April 2010.

	Floating Rate financial assets 30/04/2010 £'000	Fixed Rate financial assets 30/04/2010 £'000	Financial assets not carrying interest 30/04/2010 £'000	Total 30/04/2010 £'000
Currency				
<b>Sterling</b>	<b>1,378</b>	<b>-</b>	<b>11,299</b>	<b>12,677</b>

	Floating Rate financial liabilities 30/04/2010 £'000	Fixed Rate financial liabilities 30/04/2010 £'000	Financial liabilities not carrying interest 30/04/2010 £'000	Total 30/04/2010 £'000
Currency				
<b>Sterling</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Interest rate risk profile of financial assets and financial liabilities as at 30th June 2009.

	Floating Rate financial assets 30/06/2009 £'000	Fixed Rate financial assets 30/06/2009 £'000	Financial assets not carrying interest 30/06/2009 £'000	Total 30/06/2009 £'000
Currency				
<b>Sterling</b>	<b>267</b>	<b>-</b>	<b>7,882</b>	<b>8,149</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 16. Risks of Financial Instruments - *continued*

	Floating Rate financial liabilities 30/06/2009 £'000	Fixed Rate financial liabilities 30/06/2009 £'000	Financial liabilities not carrying interest 30/06/2009 £'000	Total 30/06/2009 £'000
Currency				
Sterling	-	-	-	-

Short term debtors and creditors have been excluded from these tables.

The floating rate assets and liabilities comprise bank balances and overdrafts whose rates are determined by reference to LIBOR or international equivalent borrowing rate.

- *Liquidity risk* - the Trust's assets comprise mainly realisable securities, which can be readily sold. The main liability of the Trust is the redemption of any units that investors wish to sell. Under the regulations of the Trust there is also the availability for temporary borrowings.
- *Credit risk* - certain transactions in securities that the Trust enters into expose it to the risk that the counterparty will not deliver the investment (purchase) or cash (sale) after the Trust has fulfilled its responsibilities.

Where applicable the Trust only buys and sells investments through brokers which have been approved as an acceptable counterparty. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time, these limits are reviewed regularly.

- *Fair value* - there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

as at 30th April 2010 - continued

### 16. Risks of Financial Instruments - *continued*

- *Derivatives and other financial instruments* - The Trust does not hold derivatives that could impact the value of the Trust as at the accounting date. During the period, the Trust utilised a selective 'covered call' strategy. That is, if, in the opinion of the Investment Adviser, a share held within the Trust is at risk of falling in value the Investment Adviser may sell a call option on that share giving the right to the buyer to purchase those shares at a fixed price for the duration of the option. The Trust receives a 'premium' for doing this. In the event the price of the share against which the option is written stays the same or falls the Trust retains the premium. In the event the share price rises the buyer may elect to buy the share from the Trust at the price agreed. It is therefore dependent on the professional judgement of the Investment Adviser to write options against shares where the Trust has the most probability of retaining the premium and not having to sell the shares at a fixed price below their market price. This strategy may again be used in the future.

### 17. Contingent Liabilities

There were no contingent liabilities at the period end date.

## Distribution Tables

### Interim Distribution

Group 1: units purchased prior to 1st July 2009

Group 2: units purchased between 1st July 2009 and 31st December 2009 (inclusive)

Group	Gross Income	Tax Credit at 10%	Net Income	Equalisation	2009 Distribution Paid	2008 Distribution Paid
1	0.7341	0.0734	0.6607	-	0.6607	1.1197
2	0.6758	0.0676	0.6082	0.0525	0.6607	1.1197

### Final Distribution

Group 1: units purchased prior to 1st January 2010

Group 2: units purchased between 1st January 2010 and 30th April 2010 (inclusive)

Group	Gross Income	Tax Credit at 10%	Net Income	Equalisation	2010 Distribution Payable	2009 Distribution Paid
1	2.3221	0.2322	2.0899	-	2.0899	1.2571
2	1.5624	0.1562	1.4062	0.6837	2.0899	1.2571

### Final Accumulation

Group 1: units purchased prior to 1st January 2010

Group 2: units purchased between 1st January 2010 and 30th April 2010 (inclusive)

Group	Gross Income	Tax Credit at 10%	Net Income	Equalisation	2010 Accumulation	2009 Accumulation
1	2.3221	0.2322	2.0899	-	2.0899	-
2	1.5445	0.1544	1.3901	0.6998	2.0899	-

## **GENERAL INFORMATION**

### **Trust Deed**

The Trust was established by a Trust Deed made between the Manager and the Trustee dated 22nd August 2001.

### **Prospectus**

Copies of the Trust's Prospectus are available free of charge from the Manager upon request.

### **Unit Type**

The Trust issues income and accumulation units.

### **Pricing and Dealing**

A buying price (the price at which you have bought the units in the Trust and being the higher) and a selling price (the price at which you can sell the units back to the Manager and being the lower) are always quoted for the Trust. The buying price includes the Manager's initial charge.

Dealing in all unit trusts operated by WAY Fund Managers Limited may be carried out between 09:00 and 17:00 hours on any business day. Investors and advisers may sell units over the telephone. Units can only be bought in writing enclosing settlement in full. Prices are quoted on a 'forward' basis. This means that all deals are based on a price that is calculated at the next valuation point (which is 12:00 hours on each business day) following receipt of instructions. Instructions received before 12:00 hours will be priced at 12:00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12:00 hours on the following business day.

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a "special price" within the limits laid down under the Regulations. The "special price" will be a price between the offer (full buying) price and the cancellation price (the price at which units are liquidated from the Trust).

The minimum initial lump sum investment in the Trust is £1,000 and the minimum amount you may sell back to the Manager at any one time is £1,000, providing you maintain a balance of £1,000. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

A contract note in respect of any purchase will be issued immediately. Unit certificates will not be issued. Instructions to sell your units may be required to be given in writing to WAY Fund Managers Limited, Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset BH21 7SB. A contract note confirming the instruction to sell will be issued immediately. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent direct to you or your bank/building society within four business days.

## **GENERAL INFORMATION - continued**

### **Management Charges, Spreads and Yields**

The initial charge on the Trust is 5.00% and the annual management fee is 1.5%. The Prospectus permits these to be increased subject to sixty days notice to unitholders. As of 14th June 2010, the difference between the bid and the offer prices was 6.94%.

As at 30th April 2010 the net estimated yield was 2.61%. This yield is calculated and published daily.

Certain other expenses are met by the Trust, all of which are detailed in the Prospectus.

### **Reports**

Reports, in their “short-form”, will be sent to all unitholders on an annual and half-yearly basis. The “long-form” accounts are available free of charge on request from the Manager.

### **Publication of Prices**

The price of units in the Trust is currently quoted daily on the web pages of Financial Express at [www.fundlistings.com](http://www.fundlistings.com).

### **Stamp Duty Reserve Tax**

Stamp Duty Reserve Tax (“SDRT”) is a 0.5% tax that is payable by the Trustee of a unit Trust when unitholders sell their units in that unit Trust. This may have an affect on you as the unitholder depending on how the unit Fund manager will be treating this particular charge. Subject to limits contained within the Trust's Prospectus, any SDRT liability incurred by Elite Charteris Premium Income Fund will be charged to the Trust, which could mean that less of your money will be invested for potential capital and income growth.

### **Capital Gains Tax**

As an ICVC, the Company is exempt from UK Capital Gains tax. An individual's first £10,100 of net gains on disposals in the 2010/2011 tax year are exempt from tax. Gains in excess of £10,100 for 2010/2011 are subject to a rate of tax dependent on an individual's total annual taxable income.

### **Important Information**

It is important to remember that the price of units, and the income from them, can fall as well as rise and is not guaranteed and that investors may not get back the amount originally invested. Past performance is not a guide to future performance. Changes in the rate of exchange of currencies, particularly where overseas securities are held, may also affect the value of your investment. The issue of units may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard unit trust investment as long term.