



WAY Fund Managers Limited

Elite Income Trust

**Annual Report and Audited Financial Statements
for the year ended 31 May 2013**

ELITE INCOME TRUST

Manager's Report and accounts
for the year ended 31 May 2013

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ELITE INCOME TRUST

Manager/Registrar

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
P Hugh Smith

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

Vestra Wealth LLP *
14 Cornhill
London EC3V 3NR

Fund Accountant

Sharefunds Limited *+
Oxford House
Oxford Road
Aylesbury
Buckinghamshire HP21 8SZ

Fund Accountant

Apex Fund Services (UK) Limited *++
Veritas House
125 Finsbury Pavement
London EC2A 1NQ

* Authorised and regulated by the Financial Conduct Authority ("FCA")

+ to 28 February 2013

++ from 1 March 2013

ELITE INCOME TRUST

REPORT OF THE MANAGER

The Manager herewith presents the annual report and audited financial statements of Elite Income Trust for the year ended 31 May 2013.

Authorised Status

Elite Income Trust is an Authorised Unit Trust as defined in Section 243 of the Financial Services and Markets Act 2000 and is a non-UCITS Retail Scheme within the meaning of the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"). The Trust was authorised on 30 April 2001.

Changes to the prospectus

As noted on Page 3 from 1 March 2013 the Fund Accountant changed to Apex Fund Services (UK) Ltd. Further information can be found in the Prospectus which can be obtained free of charge from the Manager.

Certification of annual report and financial statements by the Manager, WAY Fund Managers Limited

In accordance with the requirements of COLL, we hereby certify the annual report on behalf of the Manager, WAY Fund Managers Limited.



**P Hugh Smith
V Hoare
Directors**

**WAY Fund Managers Limited
20 August 2013**

ELITE INCOME TRUST

STATEMENT OF THE MANAGER'S RESPONSIBILITIES IN RELATION TO THE REPORT AND FINANCIAL STATEMENTS OF THE TRUST

The COLL regulations require the Manager to prepare financial statements for each annual accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) ("UK GAAP") and the Statement of Recommended Practice: "Financial Statements of Authorised Funds" ("SORP") issued by the Investment Management Association ("IMA") in October 2010; and
- give a true and fair view of the financial position of the Trust as at the end of that period and the net revenue and the net capital gains or losses on the property of the Trust for that period.

In preparing those financial statements the Manager is required to:

- select suitable UK accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice: "Financial Statements of Authorised Funds" issued by the IMA in October 2010;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation for the foreseeable future;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements;
- make judgments and estimates that are reasonable and prudent;

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Prospectus and COLL. The Manager is responsible for keeping proper accounting records, the system of internal controls and for ensuring that reasonable steps are taken for the prevention and detection of fraud and other irregularities.

For the avoidance of doubt, the Investment Review has been provided by the Investment Adviser.



**P Hugh Smith
V Hoare**

**Directors
WAY Fund Managers Limited
20 August 2013**

ELITE INCOME TRUST

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE SCHEME AND REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF ELITE INCOME TRUST FOR THE YEAR ENDED 31 MAY 2013

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 Conduct Authority's Collective Investment Schemes sourcebook (COLL) 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 ELITE INCOME TRUST FOR THE YEAR ENDED 31 MAY 2013

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 Conduct Authority's Collective Investment Schemes Sourcebook (COLL).

State Street Trustees Limited
20 August 2013

ELITE INCOME TRUST

REPORT OF THE INVESTMENT ADVISER FOR THE YEAR ENDED 31 MAY 2013

Investment Objective, Policy and Strategy

The objective of the Trust is to achieve a competitive level of income, with capital growth.

The Trust will achieve its objective through investment in a diversified portfolio of collective investment schemes (whose underlying investments are principally in higher yielding UK fixed interest securities and UK equities, the proportions of which will be varied at the discretion of the Manager), transferable securities (including investment trusts), warrants, deposits and money market instruments. There may also be some exposure to global stock markets from time to time at the discretion of the Manager. The Trust may also invest in unregulated collective investment schemes such as hedge funds (where investment in such funds would be consistent with the investment objective and policy of the Trust).

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.

The portfolio will be actively managed and will normally remain fully invested save for such operational liquidity as is required from time to time. The manager may invest up to 100% of the value indirectly into transferable securities to include fixed interest securities at its discretion. 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 in accordance with the Regulations.

On giving 60 days' notice to Unitholders, the Trust may, in addition to its other investment powers, use derivatives and forward transactions for investment purposes. It is not intended that the use of derivatives in this way will change the risk profile of the Trust.

Subject to the above, the Trust may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to non-UCITS retail schemes.

Performance

Over the review period and since launch, the relative performance of Elite Income Trust has been as follows:

Cumulative Performance	6 months	1 year	2 years	3 years	*Launch
Elite Income Trust - A Acc	9.71%	18.14%	16.24%	31.15%	100.07%
Elite Income Trust - A Inc	9.72%	17.85%	15.49%	30.29%	100.70%
IMA Mixed Investment 20-60% Shares	8.62%	15.83%	13.68%	24.44%	85.82%

Discrete Annual Performance to 31st May	2009	2010	2011	2012	2013
Elite Income Trust - A Acc	-17.60%	17.87%	13.02%	-1.63%	18.14%
Elite Income Trust - A Inc	-18.66%	19.36%	13.01%	-2.03%	17.85%

*Since launch on 24th March 2003

Source: Morning Star Adviser Workstation. Total Return. Net Distributions/Income reinvested.

Past performance is not a guide to future performance. The value of investments and any income from them may go down as well as up. Exchange rate changes may cause the value of any overseas investments to rise or fall.

ELITE INCOME TRUST
REPORT OF THE INVESTMENT ADVISER (continued)

Investment Review

The last 6 months has seen a continuation of the equity market rally that started in June last year. All the major stock market indices made impressive gains as central bank support, coupled with improving economic data and a reduction of the tail risk surrounding Europe led to greater optimism amongst investors. During this period Elite Income Trust returned 9.71% vs. 8.62% for the IMA Mixed Investment 20-60% Shares Index.

December was a relatively slow month of trading with the protracted negotiations over the large spending cuts and tax increases in the US dominating proceedings. However global equities enjoyed a strong start to the New Year following a last minute deal in the US House of Representatives that stopped the US economy sliding over the 'fiscal cliff'. Improving economic data across the globe provided evidence that the economic recovery in China was back on track and that the pace of decline in Europe had slowed considerably. Against this backdrop, equities rallied and some investors started switching out of bonds into equities.

Following the strong gains made in January, markets endured a relatively sober February as uncertainties in Europe reappeared alongside the US fiscal position. The Italian election ended with a hung parliament, as the Five Star protest movement of comedian Beppe Grillo emerged as the strongest party in the country and Silvio Berlusconi's centre right bloc threatened to challenge the close tally. In the US, M&A activity in early February helped the S&P continue its rally.

April saw markets' growth slow as a softening of global economic data took some of the momentum out of the equity market rally. In the US, GDP figures disappointed, coming in at 2.5% versus a consensus estimate of 3%, and consumer confidence fell to its lowest level in three months. In Europe, tensions within the Spanish economy came to the boil with a number of violent anti-austerity protests as Spanish unemployment went through 27%. Fears of a slowdown in China resurfaced as Chinese GDP came in at 7.7% year-on-year, below forecasts of 8%. Gold suffered its largest fall in 30 years as investors became increasingly concerned that the sale of Cyprus' gold reserves would set a precedent across a troubled Europe. This led to widespread losses across the gold and basic resources sector.

May saw Equity Markets continue their rally from early in the year as encouraging data from China and Germany, along with a cut in European interest rates, combined to propel markets higher. However, comments from Chairman Ben Bernanke to the US congress that a 'tapering' of Federal Reserve asset purchases might only be a few months away provided the trigger to a wave of profit taking across asset classes. In addition to this the Nikkei saw a sharp sell off as investors were left unimpressed with Prime Minister Abe's proposed structural reform package, the third "arrow" in his efforts to promote growth.

Within the Trust we reduced our holding in the Blackrock Commodities Income Trust into the Blackrock World Mining Trust as the latter's 13% discount to NAV made a switch from the income trusts 5% premium look attractive. We then sold our holding in the AXA Framlington UK Equity Income Fund in February, as we looked to lower our equity exposure before the Italian elections. In addition, we added the DB-X FTSE 100 Short ETF Tracker to provide further downside protection; however this was then sold at a slight profit as investors shrugged off concerns over Italy and markets looked set to continue their upward trend.

In May we made a number of changes; disposing of holdings in the Schroder Absolute Return Bond Fund and iShares FTSE UK Gilt ETF. Using the proceeds we added the Schroder Income Maximiser Fund, Invesco Perpetual Monthly Income Plus Fund and Investec Emerging Market Debt Funds and the BH Macro Ltd and Polar Capital Global Healthcare Growth & Income Trusts. The changes reflected our move away from government and investment grade corporate credit into higher yielding bonds and equities.

ELITE INCOME TRUST
REPORT OF THE INVESTMENT ADVISER (continued)

Outlook

The latter stages of the last 6 months were dominated by fears that the US will withdraw monetary stimulus, with FED Chairman Ben Bernanke's comments preceding a correction across all asset classes. However whilst the scale of the recent drop has caused concern amongst some investors we believe there are plenty of reasons to remain positive on equities over the medium to long term.

An end to QE in the US is still data dependant and given that, in our view, the full impact of fiscal tightening has yet to be felt in the US we see a move to slow QE in September as unlikely. With this in mind we see the Fed tapering off in December and therefore believe markets will recover into the latter half of this year as the effects of QE in the US and Japan continue to prop up equity markets.

In addition to this there are several other reasons to believe that the recent correction has presented an attractive buying opportunity. Whilst slightly unnoticed given events elsewhere, the Eurozone broadly saw upside surprises in economic data from peripheral countries in May and European earnings appear to have troughed following several years of accelerating decline.

In China, the recent sell off was given added impetus by the HSBC flash manufacturing PMI, which came in below expectations at 48.3. However it is worth highlighting that the survey was signalling contraction for the first three quarters of last year, yet industrial production in 2012 still expanded by 10%. Whilst it is clear that the Chinese economy is not growing as fast as it has done in recent years, the new Chinese government (under President Xi Jinping) is emphasising reform, and the need to put the economy on a more sustainable footing. The focus to this point has been on the secondary banking market and excesses within the system but before the year ends we may well see measures that are specifically designed to boost consumption. Low public debt and \$3.4 trillion in foreign exchange reserves also gives the authorities great scope to stimulate consumption through tax cuts which could all lead to a resurgent Hang Seng and a further boost to global markets.

In the short term we will be entering a strange period where good news on the economy is likely to be seen as bad news by the markets, as it would speed the exit from QE, however once the dust settles we suspect that the market will acknowledge that most companies do well from a strong economic environment in which unemployment falls, and consumer spending rises.

Vestra Wealth LLP
Investment Adviser to the Trust

28th June 2013

ELITE INCOME TRUST
PORTFOLIO STATEMENT

as at 31 May 2013

Holding	Market Value £	Percentage of total net assets %
United Kingdom : 60.75% (62.94%)		
503,880 Ardevora UK Income Fund	642,850	2.29
1,107,553 Artemis High Income	865,363	3.08
464,000 BlackRock Commodities Income Investment Trust*	546,360	1.95
711,240 CF Acum UK Multi Cap Income	968,994	3.45
493,340 CF Eclectica Abs Mac-C	512,334	1.82
256,392 CF Ruffer Total Return Bond Fund	690,644	2.46
11,186 Henderson Strategic Bond Fund	14,340	0.05
709,555 Invesco Perpetual Corporate Bond Fund	627,956	2.24
607,231 Invesco Perpetual Monthly Income Plus Fund	662,246	2.36
570,244 Investec Emerging Markets Debt Fund	638,730	2.27
1,199,862 Jupiter Strategic Bond	793,349	2.83
982,076 Kames ICVC - High Yield Bond Fund	1,004,958	3.58
1,392,552 Legal & General Dynamic Bond Trust	933,506	3.32
492,555 Liontrust Special Situations	1,264,022	4.50
785,224 M&G Optimal Income Fund	1,100,413	3.92
64,103 NB Short Duration High Yield Fund GBPID	667,949	2.38
79,763 R&M UK Equity Long Term Recovery Fund	519,193	1.85
1 Rathbone Income Fund	6	-
232,723 Royal London UK Equity	1,462,433	5.22
1,715,489 Schroder Income Maximiser Fund	879,077	3.13
211,913 SVM UK Opportunities Fund	742,118	2.64
7,981 Threadneedle UK Eq Inc - 2 - Inc	7,020	0.02
220 Threadneedle UK Eq Inc - Inst Inc	319	-
2,345 Threadneedle UK Sel - 2 - INI	2,325	0.01
216,565 Troy Trojan Fund	454,613	1.62
680,087 Troy Trojan Income	1,054,951	3.76
	17,056,069	60.75
Global : 16.88% (13.15%)		
20,148 Advance Umbrella Brazil Leblon Equity	234,926	0.84
904,159 AXA Framlington Global Tech - RA	383,222	1.36
17,750 BH Macro	415,350	1.48
28,974 BlackRock Gold and General Fund	256,614	0.91
62,500 BlackRock World Mining Investment Trust*	307,563	1.10
602,621 Liontrust Macro Equity Income Fund	1,089,720	3.88
423,093 First State Global Listed Infrastructure	542,913	1.93
101,815 Lazard Emerging Markets Fund	255,759	0.91
60,387 Morgan Stanley Global Brands Fund Investment	854,898	3.04
268,900 Polar Capital Global Healthcare Growth & Income Trust*	402,006	1.43
	4,742,971	16.88

ELITE INCOME TRUST
PORTFOLIO STATEMENT (continued)
as at 31 May 2013

North America : 9.90% (9.36%)		
972,037	AXA US Short Duration High Yield	1,010,918 3.60
12,015	Findlay Park American Fund	502,788 1.79
992,728	JPM US Equity Income Fund	844,712 3.01
47,022	Polar Capital North American Fund	422,257 1.50
		2,780,675 9.90
Far East : 6.03% (4.67%)		
99,462	First State Asia Pac L-A	435,466 1.55
5,343	Prusik Asian Equity Income Fund - CGD	760,412 2.71
847,381	Schroder Asian Income Maximiser Fund	496,735 1.77
		1,692,613 6.03
Market Value of Investments : 93.56% (92.89%)		
		26,272,328 93.56
Net other assets : 6.44% (7.60%)		
		1,809,730 6.44
Total net assets		
		28,082,058 100.00

Note: Comparative figures shown in brackets relate to 31 May 2012
All holdings are Collective Investment Schemes unless otherwise stated

* Investment Trusts

**ELITE INCOME TRUST
PERFORMANCE RECORD**

Price and Income History

Calendar Year	Unit Class	Highest Price p	Lowest Price p	Distribution per unit p
2009	A Accumulation	145.51	114.82	3.8337
	A Income	124.80	99.84	3.3240
2010	A Accumulation	159.06	139.06	4.5318
	A Income	132.19	117.46	3.8266
2011	A Accumulation	163.17	142.54	4.3780
	A Income	133.75	115.39	3.5838
2012	A Accumulation	170.23	151.19	4.5942
	A Income	132.81	121.44	3.6222
2013*	A Accumulation	187.07	169.69	2.1900
	A Income	144.85	132.39	1.7358
	B Income	106.00	101.36	0.7910
	B Income USD**	100.02	95.44	-
	C Income	104.49	100.22	-

* to 31 May 2013

Net Asset Value

Accounting Date	Unit Class	Net Asset Value £	Units in issue	Net Asset Value per unit p
31 May 2011	A Accumulation	9,195,122	5,759,676	159.65
	A Income	15,854,849	12,003,243	132.09
31 May 2012	A Accumulation	5,311,204	3,392,616	156.55
	A Income	17,004,014	13,641,782	124.65
31 May 2013	A Accumulation	5,723,027	3,108,928	184.08
	A Income	20,444,572	14,342,796	142.54
	B Income	59,802	57,325	104.32
	B Income USD**	22,852	35,023	99.26
	C Income	1,831,805	1,781,551	102.82

** Priced in cents

ELITE INCOME TRUST
PERFORMANCE RECORD (continued)

Other Relevant Prices

Date	Unit Class	Dual Priced	
		Offer price per unit p	Bid price per unit p
Launch Date 17 March 2003	A Accumulation	100.00	100.00
Launch Date 17 March 2003	A Income	100.00	100.00

		Single Priced	
Accounting Date	31 May 2013	A Accumulation	184.08
		A Income	142.54
		B Income	104.32
		B Income USD	*99.26
		C Income	102.82
Latest Date	26 July 2013	A Accumulation	184.70
		A Income	143.02
		B Income	104.67
		B Income USD*	99.60
		C Income	103.17

* Priced in cents

The Trust converted from dual to single pricing on 12 February 2007

Total Expense Ratio (TER)

This is a measure of the cost associated with managing the trust. Apart from the initial charge and transaction costs, all other expenses are included in the TER. The TER is an internationally accepted standard for comparison of costs for authorised funds.

The TERs for share classes in the Trust as at 31 May 2013 were:

A Accumulation	2.60%	(2012: 2.89%)
A Income	2.60%	(2012: 2.89%)
B Income	2.10%	-
B Income USD	2.10%	-
C Income	2.60%	-

ELITE INCOME TRUST
INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ELITE INCOME TRUST

We have audited the financial statements of Elite Income Trust for the year ended 31 May 2013. These financial statements comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010.

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. 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

As explained more fully in the Statement of the Manager's Responsibilities set out on page 5, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Manager; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ELITE INCOME TRUST (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 May 2013 and of the net revenue and net capital gains on the scheme property of the Trust for the year then ended, and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association in October 2010, the Collective Investment Schemes sourcebook, and the trust deed.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion

- 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, and
- the information given in the Manager's Report (which comprises the Management and Professional Service Providers' details, the Authorised Status, the Report of the Investment Adviser and the Portfolio Statement) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the Trust have not been kept, or
- the financial statements are not in agreement with the accounting records.

**Grant Thornton UK LLP
Statutory Auditor
London, United Kingdom
20 August 2013**

ELITE INCOME TRUST

STATEMENT OF TOTAL RETURN

for the year ended 31 May 2013

	Notes	31 May 2013 £000's	31 May 2012 £000's
Income			
Net Capital Gains/(Losses)	2	3,622	(913)
Revenue	3	811	742
Expenses	4	(400)	(361)
Finance costs: Interest	6	-	(1)
Net revenue before taxation		411	380
Taxation	5	(8)	(1)
Net revenue after taxation		403	379
Total return before distributions		4,025	(534)
Finance costs: Distributions		(695)	(652)
Change in net assets attributable to unitholders from investment activities		3,330	(1,186)

ELITE INCOME TRUST

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 May 2013

	31 May 2013 £000's	31 May 2012 £000's
Opening net assets attributable to unitholders	22,315	25,050
Movement due to sales and repurchases of units		
Amount receivable on creation of units	4,052	3,680
Less: Amounts payable on cancellation of units	(1,766)	(5,384)
	2,286	(1,704)
Stamp Duty Reserve Tax	(2)	(5)
Change in net assets attributable to unitholders from investment activities (see above)	3,330	(1,186)
Retained distribution on accumulation units	153	160
Closing net assets attributable to unitholders	28,082	22,315

ELITE INCOME TRUST

BALANCE SHEET as at 31 May 2013

	Notes	31 May 2013		31 May 2012	
		£000's	£000's	£000's	£000's
Assets					
Investment assets			26,272		20,728
Current Assets					
Debtors	7	137		522	
Cash and bank balances		<u>1,851</u>		<u>1,151</u>	
Total other assets			<u>1,988</u>		<u>1,673</u>
Total assets			<u>28,260</u>		<u>22,401</u>
Liabilities					
Creditors	8	(75)		(45)	
Distribution Payable		<u>(103)</u>		<u>(41)</u>	
Total liabilities			<u>(178)</u>		<u>(86)</u>
Net assets attributable to unitholders			<u><u>28,082</u></u>		<u><u>22,315</u></u>

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ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS
as at 31 May 2013

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010 (the IMA SORP 2010).

a) Recognition of revenue

Interest on bank balances and other cash deposits is recognised on an accruals basis.

Dividends on equities are recognised when quoted ex-dividend.

Distributions from Collective Investment Schemes are recognised when the security is quoted ex-distribution.

AMC rebates from underlying investments are accounted for as capital or revenue depending on where the expense of the underlying fund was allocated when determining its distribution.

b) Expenses

The Trust charges all expenses, (except those relating to the purchase and sale of investments, SDRT and Manager's periodic charge) to revenue.

c) Taxation

Overseas tax that has been deducted at source from overseas revenue, can in some circumstances be offset against the corporation tax charge payable.

The charge for taxation is based on income for the year. UK dividend income is disclosed net of any related tax credit. The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

Stamp Duty reserve tax suffered on surrender of units is deducted from capital.

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 May 2013

1. ACCOUNTING POLICIES (continued)

d) Distribution Policy

When net revenue is available it will be distributed to holders of income unit classes and accumulated to holders of accumulation unit classes on a quarterly basis on or before 31 October, 31 January and 30 April each year. The Final annual distribution to 31 May being made on or before 31 July.

As the Trust has an objective of producing income, or a combination of revenue and capital growth, some or all of the Manager's periodic charges may be transferred to the capital account for the purposes of distributions. The current policy is to transfer all the Manager's periodic charge to capital.

e) Basis of valuation of Investments

All investments are valued at their fair value at mid-day on the final business day of the accounting period. Fair value is determined as the bid price for dual priced funds, or the single price where applicable. All equities are valued at bid price.

f) Equalisation Policy

The first distributions received from investments in collective investment schemes may include an element of equalisation which represents the average amount of income included in the price paid for units or shares. 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.

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 May 2013

2. NET CAPITAL GAINS/(LOSSES)

The net capital gains/(losses) during the year comprise:

	2013 £000's	2012 £000's
Non-derivative securities	3,615	(941)
Transaction fees	(4)	(3)
AMC rebates on underlying securities	11	31
Total capital gains/(losses)	3,622	(913)

3. REVENUE

	2,013 £000's	2,012 £000's
UK franked dividends	45	5
Franked CIS distributions	297	368
Unfranked CIS distributions	319	299
Offshore CIS dividends distributions	42	33
Offshore CIS interest distributions	57	-
Bank interest	4	3
AMC rebates on underlying securities	47	34
Total revenue	811	742

4. EXPENSES

	2013 £000's	2012 £000's
Amounts payable to the Manager, associates of the Manager or agents of either of them		
Manager's periodic charge	372	336
Registration fees	5	3
	377	339
Amounts payable to the Trustee, associates of the Trustee or agents of either of them:		
Depositary fees	12	-
Trustee fees	-	12
Safe custody fees	3	3
	15	15
Other expenses:		
Audit fees	7	7
Printing fees	1	-
	8	7
Total expenses	400	361

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2013

5. TAXATION

	2013 £000's	2012 £000's
a) Analysis of charge in the year		
Corporation tax at 20%	8	1
Current tax charge (note 5b)	8	1
Deferred tax	-	-
Total taxation	8	1

b) Factors affecting taxation charge for the period:

The tax charge for the current year is lower than the standard rate of corporation tax for authorised funds (20%) for the reasons explained below:

	2013 £000's	2012 £000's
Net revenue before taxation	411	380
Corporation tax at 20% (2012: 20%)	82	76
Effects of:		
Franked revenue	(68)	(75)
Overseas dividends	(8)	(6)
AMC rebates accounted for in capital	2	6
Current tax charge (note 5a)	8	1

c) Deferred tax

The Trust has not recognised a deferred tax asset of £: Nil (2012: £: Nil) 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 these expenses and therefore no deferred tax asset has been recognised in the current or prior year.

6. 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:

	2013 £000's	2012 £000's
First interim	246	237
Second interim	109	146
Third interim	217	202
Final	130	54
	702	639
Add: revenue deducted on cancellation of units	8	30
Deduct: revenue received on creation of units	(15)	(17)
Net distributions for the year	695	652
Interest	-	1
Total finance costs	695	653
Distributions represented by:		
Net revenue after taxation	403	379
Allocations to capital:		
Expenses transferred to capital net of marginal tax relief	298	279
Tax on AMC rebates accounted for in capital	2	(6)
Add: Revenue brought forward	-	-
Deduct: Revenue carried forward	(8)	-
Net distributions for the year	695	652

Details of the distribution rate per unit can be found in the distribution tables.

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2013

7. DEBTORS

	2013 £000's	2012 £000's
Accrued revenue	39	55
Amounts receivable for creation of units	17	-
AMC rebates on underlying securities	26	16
Recoverable income tax	55	59
Sales awaiting settlement	-	392
Total debtors	137	522

8. CREDITORS

	2013 £000's	2012 £000's
Accrued expenses	46	39
Amounts payable for cancellation of units	21	7
Corporation tax payable	8	-
Total creditors	75	46

9. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities or commitments at the balance sheet date (2012: Nil).

10. RELATED PARTY TRANSACTIONS

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 on respect of all operations and transactions in the Trust.

WAY Fund Managers Limited, a related party, acts as principal on all transactions of units of the Trust. The monies received through issues and cancellations are disclosed in the statement of change in net assets attributable to unitholders. Amounts due to/from WAY Fund Managers Limited in respect of units transactions at the year end are disclosed in the balance sheet.

Amounts Payable to WAY Fund Managers Limited in respect of the Manager's periodic charges are disclosed in note 4. £35,021 was due at the balance sheet date (2012 £28,699).

Amounts payable to State Street Trustees Limited in respect of trustee services and safe custody charges are disclosed in note 4. £1,763 (2012: £1,792) was due at the year end.

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

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

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2013

11. UNITHOLDERS' FUNDS

The Trust currently has three unit classes.

The annual management charges on each unit class is as follows:

Class A Units:	1.50%
Class B Units:	1.00%
Class C Units:	1.50%

The net asset value of each unit class, the net asset value per unit, and the number of units in each class are given in the performance record page. All classes have the same rights on winding up.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The main risks from the Trust's holding of financial instruments, together with the Manager's policy for managing these risks, are set out below:

a) Credit risk

The Trust may find that Financial instruments in which it invests are unable to settle their obligations on a timely basis. The value of securities issued by such companies may fall as a result of the perceived increase in credit risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit this risk.

b) Interest rate risk

Interest rate risk is the risk that the value of the Trust's investments will fluctuate as a result of interest rate changes. As the portfolio holds Collective Investment Schemes which may in turn hold other investments with exposure to interest rate risk there is also an element of indirect risk associated with the Trust.

Numerical disclosure of the direct risk is as follows:

	2013	2012
	£000's	£000's
Floating rate financial assets:		
US Dollars	6	-
UK Sterling	1,845	1,151
Financial assets not carrying interest		
US Dollars	503	390
UK Sterling	25,769	20,338
Total interest rate risk	<u>28,123</u>	<u>21,880</u>

The Trust's net cash holdings of £1,850,606 are held in floating rate deposit accounts, whose rates are determined by reference to LIBOR or international equivalent borrowing rates.

The Trust's investments include collective investment schemes, some of which may pay their distributions as interest. These investments are included within 'Financial assets not carrying interest' in the above table.

Short term debtors and creditors have been excluded from the above interest rate risk tables.

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2013

c) Foreign currency risk

The Trust's financial assets and liabilities are invested in a variety of asset classes, some of which may be valued in currencies other than Sterling. As a result, the Trust may have both direct and indirect exposure to foreign currency movement which may affect the Sterling value of the portfolio.

Numerical disclosure of the direct risk is as follows:

	2013	2012
	£000's	£000's
Currency		
US Dollars	509	390
Net currency risk	509	390

d) Liquidity risk

The main liability of the Trust is the cancellation of units that investors want to sell. Investments may have to be sold to fund such cancellations should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Investment Adviser will ensure that a substantial portion of the Trust's assets consists of readily realisable securities.

e) Market price risk

Market price risk represents the potential loss the Trust may suffer through holding market positions in the face of price movements. The Trust's investment portfolio is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objectives and policies. Adherence to investment guidelines and avoidance of excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of stocks can mitigate market risk.

f) Counterparty risk

Transactions in investments entered into by the Trust give rise to the risk that the counterparties may not be able to fulfil their responsibilities by completing their side of the transaction. The Investment Adviser minimises this risk by conducting trades through only reputable counterparties.

g) Fair value of financial assets and liabilities

There is no material difference between the value of assets and liabilities as shown in the balance sheet, and their fair value.

h) Derivatives

The Trust held no derivatives during the year.

ELITE INCOME TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 May 2013

13. PORTFOLIO TRANSACTION COSTS

	2013 £000's	2012 £000's
Analysis of total purchase costs:		
Purchases in year before transaction costs	7,976	9,063
Transaction costs:		
Commissions	2	-
Stamp duty and other charges	-	5
	<u>2</u>	<u>5</u>
Gross purchase costs	<u>7,978</u>	<u>9,068</u>
Sales in year before transaction costs	6,044	10,623
Transaction costs:		
Commissions	-	-
Stamp duty and other charges	-	-
	<u>-</u>	<u>-</u>
Total sales net of transaction costs	<u>6,044</u>	<u>10,623</u>

ELITE INCOME TRUST
DISTRIBUTION TABLES
for the year ended 31 May 2013

1st Interim

Group 1: Units purchased prior to 1 June 2012

Group 2: Units purchased on or after 1 June and up to 31 August 2012

A Accumulation Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Allocated 30/10/2012 p	Allocated 30/10/2011 p
1	1.9592	0.1959	1.7633	-	1.7633	1.6930
2	0.0818	0.0082	0.0736	1.6897	1.7633	1.6930

A Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Paid 30/10/2012 p	Paid 30/10/2011 p
1	1.5017	0.1502	1.3515	-	1.3515	1.3820
2	1.0416	0.1042	0.9374	0.4141	1.3515	1.3820

2nd Interim

Group 1: Units purchased prior to 1 September 2012

Group 2: Units purchased on or after 1 September and up to 30 November 2012

A Accumulation Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Allocated 31/1/2013 p	Allocated 31/1/2012 p
1	0.7974	0.0797	0.7177	-	0.7177	1.0367
2	-	-	-	0.7177	0.7177	1.0367

A Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Paid 31/1/2013 p	Paid 31/1/2012 p
1	0.6419	0.0642	0.5777	-	0.5777	0.8327
2	-	-	-	0.5777	0.5777	0.8327

ELITE INCOME TRUST
DISTRIBUTION TABLES (continued)

3rd Interim

Group 1: Units purchased prior to 1 December 2012

Group 2: Units purchased on or after 1 December 2012 and up to 28 February 2013

A Accumulation Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Allocated 30/4/2013 p	Allocated 30/4/2012 p
1	1.6359	0.1636	1.4723	-	1.4723	1.4159
2	0.5301	0.0530	0.4771	0.9952	1.4723	1.4159

A Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Paid 30/4/2013 p	Paid 30/4/2012 p
1	1.2868	0.1287	1.1581	-	1.1581	1.1377
2	0.8617	0.0862	0.7755	0.3826	1.1581	1.1377

B Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Paid 30/4/2013 p	Paid 30/4/2012 p
1	-	-	-	-	-	-
2	-	-	-	0.7910	0.7910	-

ELITE INCOME TRUST
DISTRIBUTION TABLES (continued)
for the year ended 31 May 2013

Final

Group 1: Units purchased prior to 1 March 2013

Group 2: Units purchased on or after 1 March and up to 31 May 2013

A Accumulation Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Allocation 31/7/2013 p	Allocated 31/7/2012 p
1	0.9606	0.0961	0.8645	-	0.8645	0.3783
2	0.3448	0.0345	0.3103	0.5542	0.8645	0.3783

A Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Payable 31/7/2013 p	Paid 31/7/2012 p
1	0.7421	0.0742	0.6679	-	0.6679	0.3003
2	0.4388	0.0439	0.3949	0.2730	0.6679	0.3003

B Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Payable 31/7/2013 p	Paid 31/7/2012 p
1	0.5440	0.0544	0.4896	-	0.4896	-
2	0.5440	0.0544	0.4896	-	0.4896	-

B Income Units USD*	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Payable 31/7/2013 p	Paid 31/7/2012 p
1	-	-	-	-	-	-
2	0.0137	0.0014	0.0123	-	0.0123	-

C Income Units	Gross income p	Tax credit at 10% p	Net income p	Equalisation p	Payable 31/7/2013 p	Paid 31/7/2012 p
1	-	-	-	-	-	-
2	0.4594	0.0459	0.4135	-	0.4135	-

*Distribution has been paid in pence

EQUALISATION

Equalisation applies only to units purchased during the distribution period (Group 2 Units). It represents the accrued income included in the purchase price of the units. After averaging it is returned with the distribution as a capital repayment. It is not liable to income tax but must be deducted from the cost of the units for capital gains tax purposes.

ELITE INCOME TRUST GENERAL INFORMATION

The Trust

Elite Income Trust is an Authorised Unit Trust, and is a non-UCITS Retail Scheme within the meaning of the Financial Services Authority's Collective Investment Schemes sourcebook ("COLL"). The Trust was authorised on 30 April 2001.

The Manager

The Manager is responsible for all aspects of administration and management within the Trust. The Manager is WAY Fund Managers Limited, Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset, BH21 7SB.

WAY Fund Managers Limited is authorised and regulated by the Financial Conduct Authority and is a member of the IMA (Investment Management Association).

The Trustee

The Trustee acts as the custodian for all assets relating to the Trust. The Trustee is State Street Trustees Limited, 20 Churchill Place, Canary Wharf, London, E14 5HJ. The Trustee is authorised and regulated by the Financial Conduct Authority.

The Investment Adviser

The Investment Adviser to the Trust is Vestra Wealth LLP.

Prospectus

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

Unit Type

The Trust issues both income and accumulation units.

Pricing and Dealing

A single price is always quoted for units in the Trust.

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 normally buy and 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.

On large deals, which for this purpose is defined as a single purchase, single or aggregate redemptions of units equivalent to more than 2% of the Net Asset Value of the Trust, the Manager may charge a dilution levy on the price of units. In respect of a purchase, this is added to the cost and, in respect of a redemption, this is deducted from proceeds. The amount is not retained by the Manager, but is paid into the Trust.

The minimum initial lump sum investment in the Trust is £5,000 and the minimum amount you may sell back to the Manager at any one time is £1,000, providing you maintain a balance of £5,000. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

ELITE INCOME TRUST
GENERAL INFORMATION (continued)

A contract note in respect of any purchase will be issued immediately and full settlement, in cleared funds, is due within four business days of the purchase date. 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.

Dilution

The actual cost to the Trust of purchasing or selling its investments may be higher or lower than the mid-market value used in calculating the unit price, e.g. due to dealing charges or through dealing at prices other than the mid-market price. In normal circumstances these costs are charged to the Trust. Under certain circumstances (e.g. large volumes of deals) this may have an adverse effect on the interests of unitholders generally. In order to prevent this effect, called 'dilution', WAY Trust Managers has the power to charge a dilution levy on the sale and/or redemption of units. The dilution levy will be applied at outset and will be paid into and will become part of the Trust. The dilution levy for the Trust will be calculated by reference to the costs of dealing in the underlying investments of the Trust, including any dealing spreads, commission and transfer taxes.

Management Charges, Spreads and Yields

The initial charge on the Trust is 5.25% for "A" and "C" units and no charge for "B" units.

Annual management fee is 1.5% for "A" and "C" units and 1% for "B" units. The Prospectus permits these to be increased, with any proposed increases subject to 60 days' notice to unitholders.

Certain other expenses are met by the Trust, the nature of which are detailed in the Trust's 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 quoted daily on the web pages of Financial Express at 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 effect on you as the unitholder depending on how the unit trust manager will be treating this particular charge. Subject to limits contained within the Trust's Prospectus, any SDRT liability incurred by Elite Income Trust will be charged to the Trust, which could mean that less of your money will be invested for potential capital and income growth.

ELITE INCOME TRUST
GENERAL INFORMATION (continued)

Capital Gains Tax

An Authorised Unit Trust is exempt from UK Capital Gains tax. An individual's first £10,900 of net gains on disposals in the 2013/2014 tax year are exempt from tax. Gains in excess of £10,900 for 2013/2014 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.

