

ANNUAL REPORT

**FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

SEPTEMBER 30, 2006

Dear Shareholders:

September 30, 2006

This past September 30th marked the completion of our nineteenth year. I sincerely appreciate everyone's support and patronage. Attached with this letter is the audited Annual Report for The Elite Group; Growth & Income Fund and Income Fund.

The Elite Growth & Income Fund

The financial statements that make up the Annual Report give us an opportunity to review what has happened and gain some insight into what may happen. For the twelve months ending September 30th, 2006, the Growth & Income Fund was up 5.40%. This was below the S&P 500 Index which was up 10.79%. Although the return for the last year was below average, a review of the last three years shows the Growth & Income Fund to be competitive, up an average of 11.26% per year. This compares with the Dow Jones and S&P 500 which had annual average returns of 10.02% and 12.30% respectively over the last three years.

It is always a tug-of-war in the securities markets with the negative forces of geopolitical events, natural disasters and corporate corruption pushing securities down. This is countered by man's desire to grow, achieve, and innovate. The good news is that in the long run, the positives have prevailed.

This year, Mother Nature was kinder in that we did not struggle with the aftermath of hurricanes, tsunamis, and earthquakes. We continue, however, to feel pressure from oil hitting \$80 per barrel, the Iraq War, and higher interest rates causing the economy to slow.

Our investment story has, and continues to be, that the negatives are more than offset by a strong U.S. economy and record corporate profits. Our optimistic investment outlook goes beyond the U.S. border. Growth rates in developing countries are significantly higher than domestic growth rates, and many of our corporations international business exceeds that of their domestic operations. Despite significant anti-American political feeling, foreigners can't seem to get enough of American goods and services; everything from Boeing jets to Kentucky Fried Chicken.

This past year we increased our emphasis on energy, specifically oil service companies that are the direct beneficiary of the high price of oil and an increased level of drilling and exploration. We continue to focus on basic industry and capital goods companies believing that the superior financial strength of Corporate America will continue to lead to a desire for higher productivity through increased capital spending on plant and equipment. We have reduced our investments in consumer and healthcare companies. With home price appreciation driving much of the positive consumer attitudes towards spending topping out, consumer stocks are expected to have diminished growth potential. With respect to healthcare companies, the largest consumer of healthcare goods and services is the U.S. Government. It is very apparent that the Government is not going to allow many healthcare companies to earn a competitive rate of return. We have therefore reduced our healthcare investments by half.

The Elite Income Fund

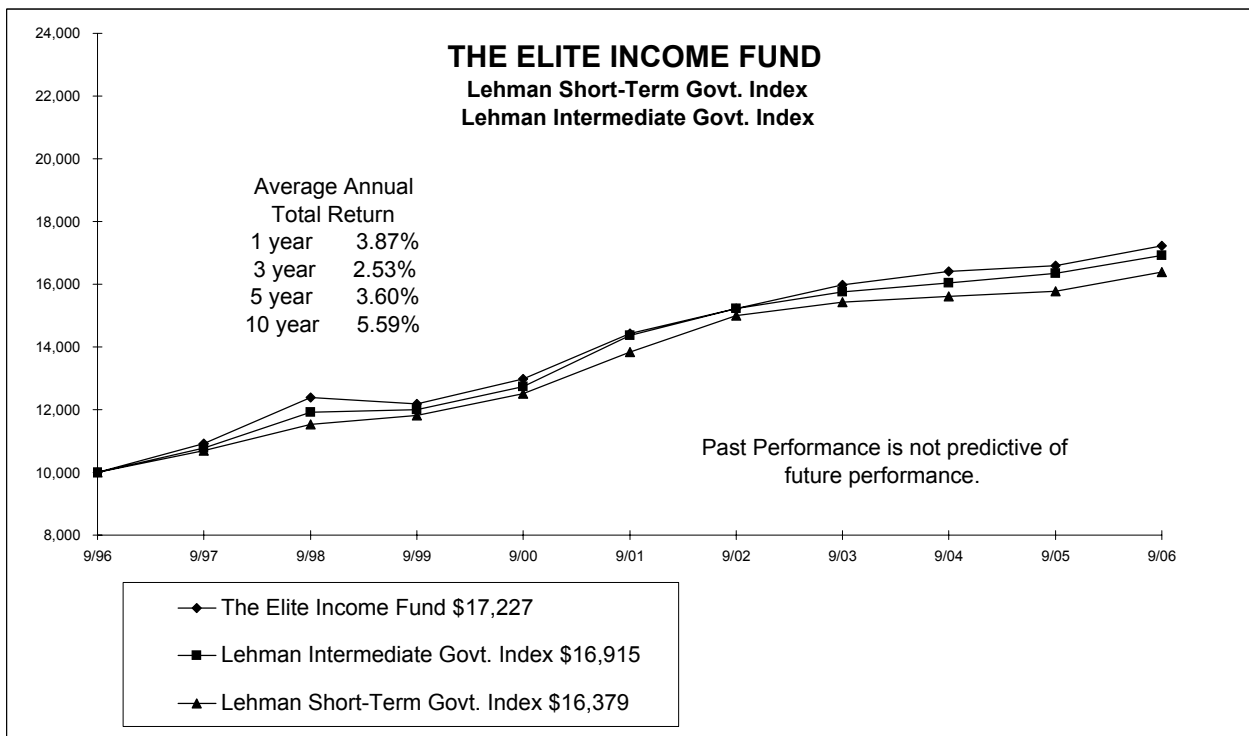
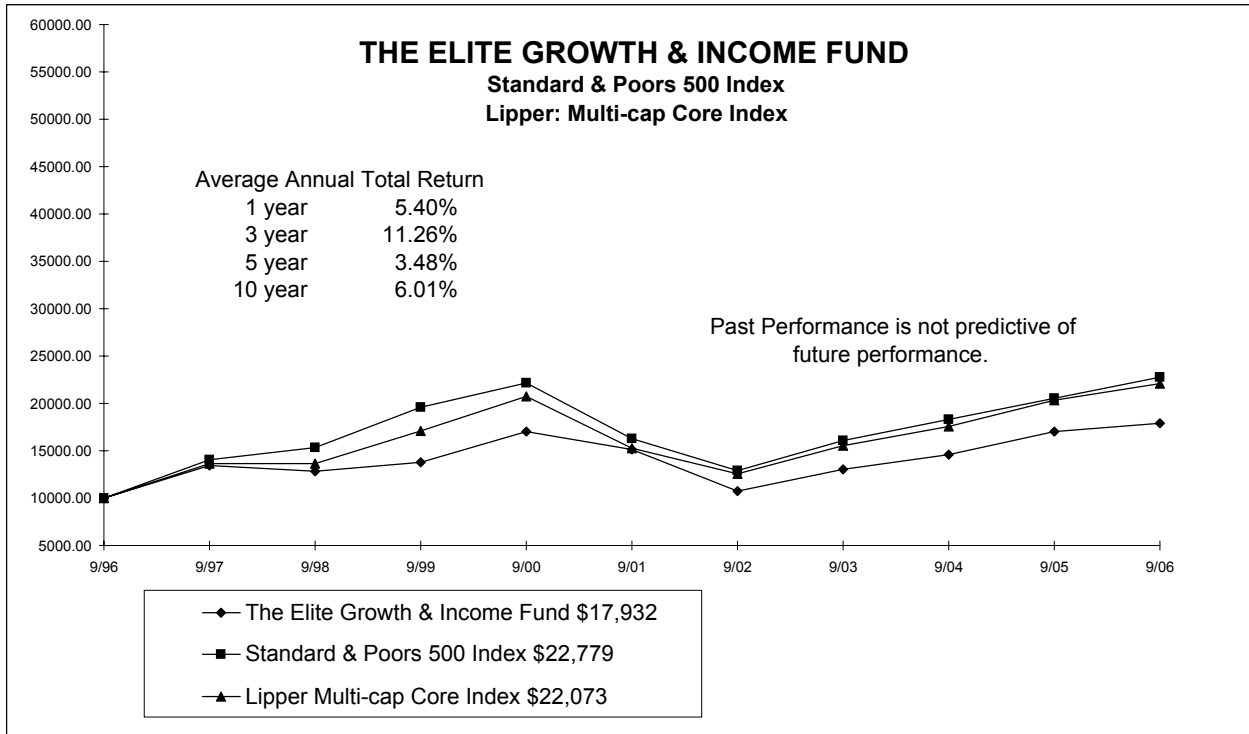
The last several years we have communicated that; "the interest rate environment is one of the most challenging in the last 40-50 years." The good news is that it appears that the worst is behind us. After interest rates hit a 50 year low with money market rates below 1%, interest rates have now rebounded. The Elite Income Fund that had a return of 1.09% for the fiscal 2005 year, rebounded to a return of 3.87% for the fiscal 2006 year and we would expect even higher return for fiscal 2007.

When it comes to managing a short/intermediate maturity bond fund we are really at the mercy of the Federal Reserve Board. They are much more than the 800 pound gorilla in the room. What they want to happen with respect to short interest rates determine the level and direction of interest rates. For the moment they want rates higher than they have been and that is good for fixed income investors.

Keeping you advised, informed and educated is always our intent. If you have questions with respect to your account or this Annual Report, please call.

Warm Regards,

Dick McCormick



Above are two charts that show the growth in value of a hypothetical \$10,000 investment in The Elite Growth & Income Fund and The Elite Income Fund various indices. The Charts start on 9/30/96, which give a ten-year record. As an investor, your investment results may differ significantly depending on and when you initiated your investment and if there were subsequent investments.

Management of the funds does not think that there is only one index (stock or bond) that accurately reflects how the Elite Funds are managed. Our funds are managed to our clients' objectives within the parameters of our prospectus, following the rules and regulations of various regulatory agencies. The various stock and bond indices are unmanaged, make no allowance for operation expenses and are free from regulation and tax implications.



**BRIGGS
BUNTING &
DOUGHERTY, LLP**
C E R T I F I E D
P U B L I C
A C C O U N T A N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Shareholders and Board of Trustees
The Elite Group of Mutual Funds
Seattle, Washington**

We have audited the accompanying statements of assets and liabilities, including the portfolios of investments, of The Elite Growth & Income Fund and The Elite Income Fund, each a series of shares of beneficial interest of The Elite Group of Mutual Funds, as of September 30, 2006, and the related statements of operations, the statements of changes in net assets, and the financial highlights for the year then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The statements of changes in net assets for the year ended September 30, 2005 and the financial highlights for each of the years in the four-year period ended September 30, 2005 have been audited by other auditors, whose report dated November 10, 2005 expressed an unqualified opinion on such financial statements and financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2006 by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Elite Growth & Income Fund and The Elite Income Fund as of September 30, 2006, the results of their operations, the changes in their net assets and their financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Briggs, Bunting & Dougherty, LLP

BRIGGS, BUNTING & DOUGHERTY, LLP

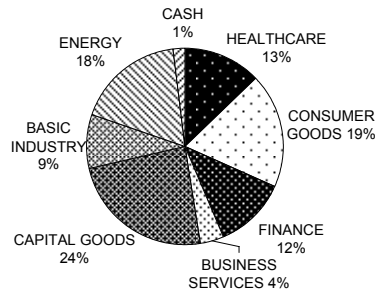
**Philadelphia, Pennsylvania
November 3, 2006**

PORTFOLIO OF INVESTMENTS
The Elite Growth & Income Fund
September 30, 2006

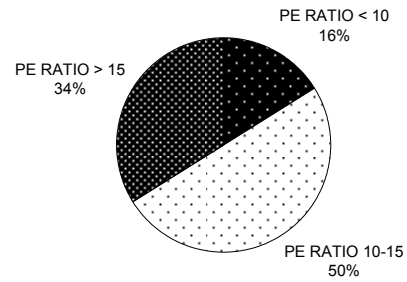
Shares	Market Value (Note 2)	Shares	Market Value (Note 2)		
Common Stock 99.5%					
Basic Industries 9.2%					
50,000	CSX Corp. \$ 1,641,500	Total Value of Common Stock (Cost \$50,641,894) \$ 61,506,240			
40,000	Lyondell Chemical 1,014,800				
25,000	Phelps Dodge 2,117,500				
10,000	Southern Copper (b) 925,000				
	<u>Total Basic Industries 5,698,800</u>				
Business Services 3.9%					
6,000	Google* 2,411,400	Total Value of Short-Term Investments: (Cost \$15,225,699) 15,225,699			
	<u>Total Business Services 2,411,400</u>				
Capital/Industrial Goods & Services 24.2%					
15,000	Cummins Inc. 1,788,450	Total Investments in Securities (Cost \$65,867,593) 124.1% 76,731,939			
50,000	Goodrich Corp. 2,026,000				
40,000	Ingersoll Rand 1,519,200				
30,000	ITT Corp. 1,538,100				
25,000	L3 Communications 1,958,250				
40,000	Rackable Systems* 1,094,800				
30,000	Semiconductors Holdings 1,028,700				
24,000	Siemens Ads 2,090,400				
30,000	United Technologies 1,900,500				
	<u>Total Capital Goods 14,944,400</u>				
Consumer Goods & Services 19.2%					
30,000	Abercrombie & Fitch (a) 2,084,400	At September 30, 2006, unrealized appreciation of securities for Federal Income Tax purposes based on cost of \$65,392,309 (net of premiums on options written) is as follows: Unrealized appreciation \$ 11,696,048 Unrealized depreciation (937,418) <u>Net unrealized appreciation \$ 10,758,630</u>			
50,000	America Movil (b) 1,968,500				
50,000	AT&T (b) 1,628,000				
35,000	Best Buy Co., Inc.(a) 1,874,600				
15,000	Sears Holdings* (a) 2,371,350				
30,000	The Children's Place* 1,920,900				
	<u>Total Consumer Goods 11,847,750</u>				
Energy 17.6%					
50,000	Chesapeake Energy Corp. (b) 1,449,000			*Non-income producing (a) All or a portion of the security is pledged as collateral for options written (b) All or a portion of this security was on loan at September 30, 2006. The value of securities on loan was \$12,958,245. (c) This security was purchased with cash collateral received for securities on loan at September 30, 2006.	
30,000	Devon Energy 1,894,500				
35,000	Halliburton (b) 995,750				
100,000	Helmerich Payne 2,303,000				
20,000	Hydriil* 1,121,200				
60,000	Mirant Corp.* 1,638,600				
50,000	Nabors Industries* (b) 1,487,500				
	<u>Total Energy 10,889,550</u>				
Financial Intermediaries 12.5%					
30,000	Bank of America Corp. 1,607,100	Schedule of Call Options Written Elite Growth & Income Fund September 30, 2006			
12,000	Deutsche Bank 1,448,400				
50,000	General Electric Co. 1,765,000				
12,000	Goldman Sachs Group (b) 2,030,040				
20,000	Washington Mutual (b) 869,400				
	<u>Total Financial Intermediaries 7,719,940</u>				
Health Care Goods & Services 12.9%					
50,000	Aetna 1,977,500	Total Call Options Written (Premiums \$475,284) \$ (581,000)			
300,000	Antigenics* (b) 465,000				
25,000	Genetech* (b) 2,067,500				
50,000	Pfizer Inc. (b) 1,418,000				
42,000	UnitedHealth Group 2,066,400				
	<u>Total Health Care 7,994,400</u>				
Call Options Written					
		300	Abercrombie & Fitch 2/16/07 \$70 \$ (192,000)		
		350	Best Buy 01/19/07 \$55 (129,500)		
		150	Sears 1/19/07 \$150 (259,500)		

The Elite Growth & Income Fund (Unaudited)

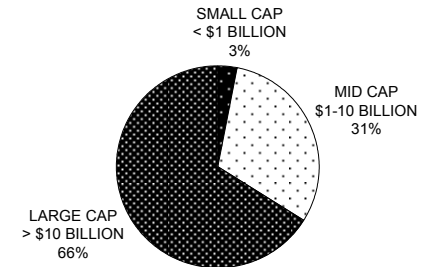
Holdings by Economic Sector*



Holdings by Forward Price Earnings Ratio

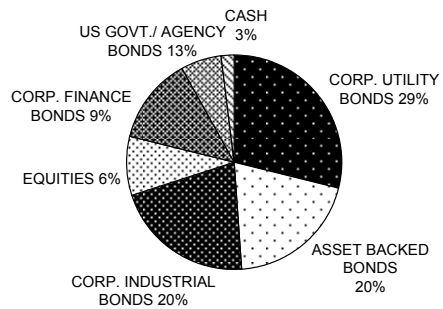


Holdings by Market Capitalization

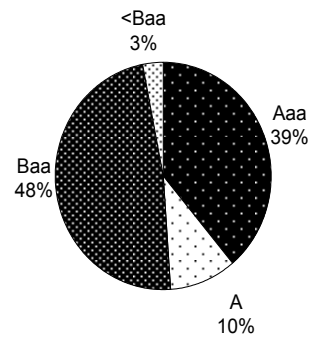


The Elite Income Fund (Unaudited)

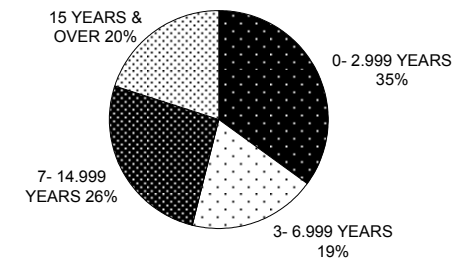
Holdings by Economic Sector & Type*



Holdings by Quality Rating



Holdings by Maturity



*As a percentage of net assets

PORTFOLIO OF INVESTMENTS
The Elite Income Fund
September 30, 2006

Bonds 91.0%				
Par Value	U.S. Government/Agencies Notes and Bonds 12.6%	Maturity	Coupon	Market Value (Note 2)
500,000	U.S. Treasury Bill	02/08/07	4.970%	\$ 491,395
200,000	Freddie Mac	06/15/07	4.300%	198,941
100,000	Federal Home Loan Bank	03/16/09	3.000%	98,961
590,000	U.S. Treasury Note	05/15/16	7.250%	707,124
580,000	U.S. Treasury Note (a)	05/15/16	5.125%	601,660
150,000	U.S. Treasury Note	02/15/21	7.875%	197,121
	Total U.S. Government Notes and Bonds			<u>2,295,202</u>
	<u>Securitized /Asset Backed Bonds 19.6%</u>			
600,000	Capital Auto Asset Trust (2004-1 A4)	11/17/08	2.640%	589,629
149,940	HAROT (2003-4 A4)	03/16/09	2.790%	147,986
62,374	Centerpoint Energy (2001-1 A2)	09/15/09	4.760%	62,135
89,974	Daimler Chrysler Rec. Auto Trust (2003-A A4)	10/08/09	2.880%	89,343
103,000	Daimler Chrysler Rec Auto Trust (2004-C A4)	12/08/09	3.280%	100,650
55,909	Toyota Auto Receivable (2003-A A4)	03/15/10	2.200%	55,839
342,000	Chase Manhattan Auto Owner Trust (2004-A A4)	09/15/10	2.830%	334,699
325,000	Triad Auto Receivables Owners Trust (2005-A A4)	06/12/12	4.220%	319,297
129,611	Fannie Mae (545171)	08/01/14	5.500%	130,187
65,168	GNMA (552372)	02/15/17	6.000%	66,351
62,326	GNMA (577742)	09/15/17	5.500%	62,561
131,000	Freddie Mac (2962 YE)	09/15/18	4.500%	125,559
185,924	GNMA (605079)	03/15/19	4.000%	176,095
200,000	Freddie Mac (2792 PY)	11/15/24	4.000%	193,903
146,103	Freddie Mac (FHR 1963 Z)	01/15/27	7.500%	149,578
300,000	Freddie Mac (FHR 2656 BD)	04/15/28	5.000%	300,352
308,600	Freddie Mac (FHR 2744 PC)	01/15/31	5.500%	309,610
196,868	Fannie Mae (633012)	02/01/32	7.000%	202,684
159,961	GNMA (G2SF POOL 3556 5.5%)	05/20/34	5.500%	158,525
	Total Securitized /Asset Backed Bonds			<u>3,574,983</u>
	<u>Corporate Bonds Industrial - Basic 1.1%</u>			
200,000	International Paper Co.	01/15/09	4.250%	195,429
	<u>Corporate Bonds Industrial - Capital Goods 3.0%</u>			
535,000	TRW, Inc.	04/18/07	7.370%	538,723
	<u>Corporate Bonds Industrial - Communications 5.6%</u>			
300,000	America Movil	01/15/15	5.750%	295,456
500,000	Comcast Corp.	06/15/16	4.950%	466,204
250,000	GTE Corp.	04/15/18	6.840%	264,451
	Total Corporate Bonds Industrial - Communications			<u>1,026,111</u>
	<u>Corporate Bonds Industrial - Cyclical 2.6%</u>			
105,000	GMAC	01/16/07	6.401% (c)	104,916
385,000	Ford Motor Credit	01/12/09	5.800%	366,526
	Total Corporate Bonds Industrial - Cyclical			<u>471,442</u>
	<u>Corporate Bonds Industrial - Energy 3.0%</u>			
225,000	Conoco Phillips	01/15/37	8.000%	235,001
300,000	Premcor Refining	02/01/10	9.250%	317,350
	Total Corporate Bonds Industrial - Energy			<u>552,351</u>
	<u>Corporate Bonds Industrial - Noncyclical 3.9%</u>			
195,000	Medco Health Solutions	08/15/13	7.250%	211,649
92,000	Kraft Foods Inc.	11/01/06	4.625%	91,934
400,000	Kroger Co.	08/15/07	7.800%	406,283
	Total Corporate Bonds Industrial - Noncyclical			<u>709,866</u>
	<u>Corporate Bonds Industrial - Transportation 0.5%</u>			
100,000	BNSF Funding	12/15/55	6.613% (c)	100,509

PORTFOLIO OF INVESTMENTS
The Elite Income Fund
September 30, 2006

Par Value		Maturity	Coupon	Market Value (Note 2)
<u>Corporate Bonds Utilities - Electric 23.4%</u>				
200,000	Monogahela Power	10/01/06	5.000%	\$ 200,000
320,000	First Energy Corp	11/15/06	5.500%	319,988
253,000	Indiana Michigan Power	12/15/06	6.125%	253,339
158,000	Avista Corp.	01/01/07	7.750%	158,741
250,000	AES Indianapolis P&L	08/01/07	7.375%	253,563
400,000	Consumers Energy	02/01/08	6.375%	404,533
175,000	Consumers Energy	02/17/09	4.800%	172,809
100,000	Entergy Louisiana	11/01/10	5.830%	100,186
250,000	Hawaiin Electric	08/15/11	6.141%	253,013
200,000	DPL Inc.	09/01/11	6.875%	210,545
225,000	Dominion Res.	06/30/16	7.500%	236,328
250,000	Consumers Energy	02/15/17	5.150%	238,335
750,000	Puget Energy Inc.	06/15/18	6.740%	807,307
100,000	Centerpoint Energy	07/01/23	5.600%	96,867
100,000	Northern St. Power - MN	07/01/25	7.125%	114,435
50,000	Georgia Power	11/01/42	4.875%	49,511
400,000	Swepeco Capital Trust	10/01/43	5.250%	397,401
	Total Corporate Bonds Utilities - Electric			<u>4,266,901</u>
<u>Corporate Bonds Utilities - Natural Gas 5.9%</u>				
300,000	Kinder Morgan Energy	03/15/32	7.750%	342,240
550,000	Sempra Energy	05/17/07	4.621%	547,334
200,000	TGT Pipeline	06/01/18	5.200%	188,623
	Total Corporate Bonds Utilities - Natural Gas			<u>1,078,197</u>
<u>Corporate Bonds Finance - Banking 1.2%</u>				
222,000	First MD Cap. II	02/01/27	6.339% (c)	216,999
<u>Corporate Bonds Finance - Misc. Finance Companies 7.2%</u>				
150,000	Residential Capital	06/29/07	6.741% (c)	150,820
100,000	CountryWide Home	09/15/09	4.125%	96,874
440,000	International Lease Finance	01/15/10	5.907%	443,173
370,000	CIT Group	11/03/10	5.758% (c)	371,178
250,000	Residential Capital	02/22/11	6.000%	249,695
	Total Corporate Bonds Finance			<u>1,311,740</u>
<u>Corporate Bonds Finance - Insurance 1.4%</u>				
155,000	Anthem Inc.	09/01/07	3.500%	152,146
100,000	C.N.A. Financial	08/15/12	8.375%	111,174
	Total Corporate Bonds Insurance			<u>263,320</u>
	Total Value of Bonds (Cost \$16,530,670)			<u>16,601,773</u>
<u>Shares Common Stock 6.4%</u>				
20,000	Lyondell Chemical Co.			507,400
20,000	New York Community Bancorp (a)			327,600
3,500	Southern Copper Corp.			323,750
	Total Common Stock (cost \$1,144,528)			<u>1,158,750</u>
<u>Short Term Investments 7.0%</u>				
304,570	PNC Bank Money Market			304,570
967,125	Institutional Money Market Trust (b)			967,125
	Total Short Term Investments (Cost \$1,271,695)			<u>1,271,695</u>
	Total Investments (Cost \$18,946,893)	104.4%		19,032,218
	Liabilities in excess of other assets	<u>(4.4)</u>		<u>(805,396)</u>
	NET ASSETS	<u>100.0%</u>		<u>\$ 18,226,822</u>

At September 30, 2006, unrealized appreciation of securities for Federal Income Tax purposes based on tax cost of \$19,019,580 is:

Gross unrealized appreciation	\$ 207,196
Gross unrealized depreciation	<u>(194,558)</u>
Net unrealized appreciation	<u>\$ 12,638</u>

(a) This security was on loan at September 30, 2006. The total value of securities on loan was \$929,760.

(b) This security was purchased with cash collateral received for securities on loan at September 30, 2006.

(c) Variable rate security; Interst rate shown is the rate in effect as of September 30, 2006.

THE ELITE GROUP OF MUTUAL FUNDS

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2006

	<u>The Elite Growth & Income Fund</u>	<u>The Elite Income Fund</u>
ASSETS		
Investments in securities at value (Cost \$65,867,593 and \$18,946,893, respectively) <i>(Notes 2A and 3)</i>	\$76,731,939	\$19,032,218
Cash	175,794	-
Receivables		
From Transfer Agent	2,110	-
Fund shares purchased	7	2
Interest	2,983	183,008
Dividends	<u>30,956</u>	<u>2,000</u>
Total Assets	<u>76,943,789</u>	<u>19,217,228</u>
LIABILITIES		
Payables:		
Payable upon return of securities on loan	14,311,895	967,125
Call options written, at value (Proceeds \$475,284 and \$0, respectively)	581,000	-
Investment management fees	48,794	8,801
Fund shares redeemed	46,016	283
Distributions	127,374	8,278
Accrued expenses	<u>29,091</u>	<u>5,919</u>
Total Liabilities	<u>15,144,170</u>	<u>990,406</u>
NET ASSETS		
The Elite Growth & Income Fund –		
Applicable to 3,229,795 shares outstanding no par value, unlimited number of shares of beneficial interest	<u>\$61,799,619</u>	
The Elite Income Fund –		
Applicable to 1,865,008 shares outstanding no par value, unlimited number of shares of beneficial interest		<u>\$18,226,822</u>
NET ASSET VALUE, OFFERING AND REDEMPTION		
PRICE PER SHARE (net assets / shares outstanding)	<u>\$19.13</u>	<u>\$9.77</u>
At September 30, 2006, the components of net assets were as follows:		
Paid-in capital	\$50,946,538	\$18,729,311
Accumulated (distributions in excess of) net investment income	94,451	(14,419)
Accumulated net realized loss on investments	-	(573,395)
Net unrealized appreciation of investments	10,864,346	85,325
Net unrealized depreciation of options written	<u>(105,716)</u>	<u>-</u>
Net Assets	<u>\$61,799,619</u>	<u>\$18,226,822</u>

THE ELITE GROUP OF MUTUAL FUNDS

STATEMENT OF OPERATIONS

For the Year Ended September 30, 2006

	<u>The Elite Growth & Income Fund</u>	<u>The Elite Income Fund</u>
Investment Income		
Income:		
Interest	\$ 51,438	\$ 920,581
Dividends (Net of foreign tax withheld of \$225 and \$0, respectively)	1,151,919	24,950
Securities Lending	<u>6,649</u>	<u>194</u>
Total Income	<u>1,210,006</u>	<u>945,725</u>
Expenses:		
Investment management fee	616,173	131,326
Transfer agent fees	51,318	27,082
Custodian fees	21,671	10,495
Audit fees	19,800	7,700
Trustee fees and expenses	16,470	5,130
Recordkeeping services	76,596	28,618
Shareholder reports	5,404	1,531
Registration fees and other	20,383	7,707
CCO expense	17,860	5,577
Legal fees	3,731	1,241
Insurance	<u>10,093</u>	<u>3,364</u>
Total Expenses	859,499	229,771
Fees paid by manager (Note 4)	-	(24,134)
Fees voluntarily waived by manager (Note 4)	<u>-</u>	<u>(10,145)</u>
Net Expenses	<u>859,499</u>	<u>195,492</u>
Net Investment Income	<u>350,507</u>	<u>750,233</u>
Realized and Unrealized Gain (Loss) on Investment Securities and Options Contracts		
Net realized gain (loss):		
Investment securities	7,614,377	(116,042)
Expired and closed covered call options written (Note 3)	<u>(177,051)</u>	<u>-</u>
Net realized gain (loss) on investment securities and option contracts	<u>7,437,326</u>	<u>(116,042)</u>
Net increase (decrease) in unrealized appreciation/depreciation		
Investment securities	(4,711,330)	67,382
Option contracts written	<u>152,893</u>	<u>-</u>
Net change in unrealized appreciation/depreciation of investments	<u>(4,558,437)</u>	<u>67,382</u>
Net realized and unrealized gain (loss) on investment securities and option contracts	<u>2,878,889</u>	<u>(48,660)</u>
Net increase in net assets resulting from operations	<u>\$3,229,396</u>	<u>\$ 701,573</u>

THE ELITE GROWTH & INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended September 30

	<u>2006</u>	<u>2005</u>
Operations		
Net investment income	\$ 350,507	\$ 160,167
Net realized gain on investment securities and options contracts	7,437,326	3,333,767
Net increase (decrease) in unrealized appreciation of investment securities	<u>(4,558,437)</u>	<u>5,263,335</u>
Net increase in net assets resulting from operations	3,229,396	8,757,269
Distributions to Shareholders		
Distributions from net investment income (\$0.14 and \$0.02 per share, respectively)	(402,000)	(57,960)
Distribution from net realized gains on investment transactions (\$2.62 and \$1.20 per share, respectively)	(7,456,696)	(3,264,277)
Capital Share Transactions		
Increase (decrease) in net assets resulting from capital share transactions (a)	<u>6,764,926</u>	<u>(1,672,170)</u>
Total increase in net assets	2,135,626	3,762,862
Net Assets		
Beginning of year	<u>59,663,993</u>	<u>55,901,131</u>
End of year (Including undistributed net investment income (loss) of \$94,451 respectively)	<u>\$ 61,799,619</u>	<u>\$ 59,663,993</u>

(a) Transactions in capital stock were as follows:

	<u>Year Ended</u> <u>September 30, 2006</u>		<u>Year Ended</u> <u>September 30, 2005</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	210,488	\$ 4,511,405	131,665	\$ 2,656,045
Shares issued in reinvestment of distributions	<u>401,493</u>	<u>7,717,782</u>	<u>157,024</u>	<u>3,261,636</u>
Shares redeemed	611,981	12,229,187	288,689	5,917,681
	<u>(255,413)</u>	<u>(5,464,261)</u>	<u>(373,476)</u>	<u>(7,589,851)</u>
Net increase (decrease)	<u>356,568</u>	<u>\$ 6,764,926</u>	<u>(84,787)</u>	<u>\$(1,672,170)</u>

THE ELITE INCOME FUND

STATEMENT OF CHANGES IN NET ASSETS

For the Years Ended September 30

	<u>2006</u>	<u>2005</u>
Operations		
Net investment income	\$ 750,233	\$ 599,687
Net realized gain (loss) on investment securities	(116,042)	23,805
Net increase (decrease) in unrealized appreciation of investment securities	<u>67,382</u>	<u>(414,786)</u>
Net increase in net assets resulting from operations	701,573	208,706
Distributions to Shareholders		
Distributions from net investment income (\$0.42 and \$0.41 per share, respectively)	(795,757)	(807,309)
Capital Share Transactions		
Decrease in net assets resulting from capital share transactions (a)	<u>(1,041,863)</u>	<u>(309,502)</u>
Total decrease in net assets	(1,136,047)	(908,105)
Net Assets		
Beginning of year	<u>19,362,869</u>	<u>20,270,974</u>
End of year (Including (distributions in excess of) net investment income of \$(14,419) and \$(330,502), respectively)	<u>\$18,226,822</u>	<u>\$ 19,362,869</u>

(a) Transactions in capital stock were as follows:

	<u>Year Ended</u> <u>September 30, 2006</u>		<u>Year Ended</u> <u>September 30, 2005</u>	
	<u>Shares</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
Shares sold	177,284	\$ 1,732,217	244,951	\$ 2,457,737
Shares issued in reinvestment of distributions	<u>78,923</u>	<u>765,766</u>	<u>77,788</u>	<u>774,886</u>
	256,207	2,497,983	322,739	3,232,623
Shares redeemed	<u>(363,181)</u>	<u>(3,539,846)</u>	<u>(353,296)</u>	<u>(3,542,125)</u>
Net decrease	<u>(106,974)</u>	<u>\$(1,041,863)</u>	<u>(30,557)</u>	<u>\$ (309,502)</u>

THE ELITE GROWTH & INCOME FUND

FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Year

	Year Ended September 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net asset value, beginning of year	\$20.77	\$18.90	\$18.13	\$15.67	\$22.05
Income from investment operations					
Net investment income	0.12	0.06	0.01	-	0.01
Net gain (loss) on securities (both realized and unrealized)	<u>1.00</u>	<u>3.03</u>	<u>2.22</u>	<u>3.30</u>	<u>(6.37)</u>
Total from investment operations	<u>1.12</u>	<u>3.09</u>	<u>2.23</u>	<u>3.30</u>	<u>(6.36)</u>
Less Distributions					
Dividends from net investment income	(0.14)	(0.02)	-	(0.01)	(0.00)**
Distribution from net realized gains	<u>(2.62)</u>	<u>(1.20)</u>	<u>(1.46)</u>	<u>(0.83)</u>	<u>(0.02)</u>
Total distributions	<u>(2.76)</u>	<u>(1.22)</u>	<u>(1.46)</u>	<u>(0.84)</u>	<u>(0.02)</u>
Net asset value, end of year	<u>\$19.13</u>	<u>\$20.77</u>	<u>\$18.90</u>	<u>\$18.13</u>	<u>\$15.67</u>
Total Return	5.40%	16.35%	12.30%	21.10%	(28.87)%
Ratios / Supplemental Data					
Net asset value, end of year (in 000's)	\$61,800	\$59,664	\$55,901	\$50,148	\$42,984
Ratio of expenses to average net assets*	1.39%	1.36%	1.34%	1.34%	1.38%
Ratio of net investment income to average net assets	0.57%	0.27%	0.07%	0.00%	0.07%
Portfolio Turnover	188.52%	143.87%	144.91%	184.10%	168.61%

* Ratio reflects fees paid through a directed brokerage arrangement. The expense ratios for 2005, 2004, 2003 and 2002 excluding fees paid through the directed brokerage arrangement were 1.35%, 1.25%, 1.20% and 1.29%, respectively.

** Distribution less than \$0.01 per share.

THE ELITE INCOME FUND

FINANCIAL HIGHLIGHTS

For a Share Outstanding Throughout Each Year

	Year Ended September 30,				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net asset value, beginning of year	<u>\$ 9.82</u>	<u>\$ 10.12</u>	<u>\$ 10.40</u>	<u>\$ 10.53</u>	<u>\$ 10.51</u>
Income from investment operations					
Net investment income	0.39	0.31	0.30	0.37	0.49
Net gain (loss) on securities (both realized and unrealized)	<u>(0.02)</u>	<u>(0.20)</u>	<u>(0.03)</u>	<u>0.15</u>	<u>0.07</u>
Total from investment operations	<u>0.37</u>	<u>0.11</u>	<u>0.27</u>	<u>0.52</u>	<u>0.56</u>
Less Distributions					
Dividends from net investment income	(0.42)	(0.41)	(0.46)	(0.56)	(0.50)
Distributions from net realized gains	-	-	(0.09)	(0.09)	(0.04)
Total distributions	<u>(0.42)</u>	<u>(0.41)</u>	<u>(0.55)</u>	<u>(0.65)</u>	<u>(0.54)</u>
Net asset value, end of year	<u>\$ 9.77</u>	<u>\$ 9.82</u>	<u>\$ 10.12</u>	<u>\$ 10.40</u>	<u>\$ 10.53</u>
Total Return	3.87%	1.09%	2.64%	5.03%	5.42%
Ratios / Supplemental Data					
Net asset value, end of year (in 000's)	\$18,227	\$19,363	\$20,271	\$20,107	\$23,284
Ratio of expenses to average net assets*	1.22%	1.15%	1.03%	1.05%	1.01%
Ratio of net investment income to average net assets	4.00%	3.01%	2.80%	3.47%	4.61%
Portfolio Turnover	120.00%	93.19%	61.99%	69.17%	66.74%

* Ratio reflects expenses prior to reimbursement from the manager. Expense ratios after reimbursement were 1.04%, 1.04%, 0.95%, 0.95% and 0.94% for 2006, 2005, 2004, 2003 and 2002, respectively.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE 1 – ORGANIZATION

The Elite Growth & Income Fund and The Elite Income Fund (the “Funds”) are two series of shares of beneficial interests of The Elite Group of Mutual Funds (the “Trust”), which is registered under the Investment Company Act of 1940, as amended, as a diversified open-end management company. The Trust was organized in Massachusetts as a business trust on August 8, 1986. The Trust is authorized to issue an unlimited number of no par shares of beneficial interest of any number of series. Currently, the Trust has authorized only the two series above. The Elite Growth & Income Fund's investment objective is to maximize total returns through an aggressive approach to the equity and debt securities markets. The Elite Income Fund's investment objective is to achieve the highest income return obtainable over the long term commensurate with investments in a diversified portfolio consisting primarily of investment grade debt securities.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. **Security Valuation** - Investments in securities traded on a national securities exchange are valued at the last reported sales price. Securities which are traded over-the-counter are valued at the bid price. Securities for which reliable quotations are not readily available are valued at their respective fair value as determined in good faith by, or under procedures established by the Board of Trustees.
- B. **Federal Income Taxes** - The Funds intend to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and distribute all their taxable income to their shareholders. Therefore no federal income tax provision is required.
- C. **Option Accounting Principles (The Elite Growth & Income Fund)** - When the Fund sells an option, an amount equal to the premium received by the Fund is included as an asset and an equivalent liability. The amount of the liability is marked-to-market to reflect the current market value of the options written. The current market value of a traded option is the last sale price. When an option expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If an option is exercised, the Fund realizes a gain or loss from the sale of the underlying security and the proceeds of the sale are increased by the premium received. The Elite Growth & Income Fund as a writer of an option may have no control over whether the underlying security may be sold (call) or purchased (put) and as a result bears the market risk of an unfavorable change in the price of the security underlying the written option.
- D. **Cash Equivalent** - Consists of investment in PNC Money Market Accounts which represent 1.50% and 1.70% of net assets for The Elite Growth & Income Fund and The Elite Income Fund, respectively.
- E. **Other** - As is common in the industry, security transactions are accounted for on the trade date. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences are primarily due to differing treatments for post - October losses, wash losses and amortization of bond premium and discounts. Interest income and estimated expenses are accrued daily.
- F. **Reclassification of Capital Accounts**. Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006

On September 30, 2006, The Elite Income Fund decreased accumulated net investment loss and increased accumulated net realized loss on investments by \$361,607, due primarily to differing book/tax treatment of distributions and bond amortization. The Elite Growth & Income Fund increased accumulated net investment income and decreased accumulated net realized gains by \$5,059, due to differing book/tax treatment of distributions and short term capital gains.

- G.** Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- H.** Securities Lending – The Funds may lend portfolio securities to banks and member firms of the New York Stock Exchange that meet capital and other credit requirements or other criteria established by the Board. These loans may not exceed 33 1/3% of the total asset value of the Funds (including the loan collateral). The Funds will not lend portfolio securities to its investment advisor, sub-advisor or their affiliates unless it has applied for and received specific authority to do so from the SEC. Loans of portfolio securities will be fully collateralized by cash, Government securities or letters of credit. Loans of portfolio securities must be secured by collateral equal to the market value over the value of the securities loaned. If the market value of the loaned securities increases over the value of the collateral, the borrower must promptly put up additional collateral; if the market value declines the borrower is entitled to a return of the excess collateral. Income from lending activity is determined by the amount of interest earned on collateral, less any amounts payable to the borrowers of the securities and the lending agent. Lending securities involves certain risks, including the risk that the Fund may be delayed or prevented from recovering the collateral if the borrower fails to return the securities. Cash collateral received in connection with securities lending is invested in an Institutional Money Market Trust sponsored by PFPC Trust, the Funds securities lending agent.

NOTE 3 – PURCHASES AND SALES OF SECURITIES

For the year ended September 30, 2006, purchases and sales of securities, other than options and short-term notes were as follows:

	<u>Purchases</u>	<u>Sales</u>
The Elite Growth and Income Fund	\$116,167,049	\$115,806,865
The Elite Income Fund	\$ 20,991,271	\$ 21,374,460

For The Elite Growth & Income Fund, transactions in covered call options written for the year ended September 30, 2006 were as follows:

	<u>Number of Contracts*</u>	<u>Premiums</u>
Options outstanding on September 30, 2005	1,200	\$ 466,391
Options written	8,070	4,677,349
Options terminated in closing purchase transactions	(8,470)	(4,668,456)
Options exercised	-	-
Options expired	-	-
Options outstanding on September 30, 2006	<u>800</u>	<u>\$ 475,284</u>

* Each contract represents 100 shares of common stock

NOTE 4 – INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Funds retain McCormick Capital Management Inc. as their Investment Manager. Under an Investment Management Agreement, the Investment Manager furnishes each Fund with investment advice, office space and salaries of non-executive personnel needed by the Funds to provide general office services. As compensation for its services, the Manager is paid a monthly fee based upon the average daily net assets of each Fund.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006

For The Elite Growth & Income Fund and The Elite Income Fund the rates are 1% and 7/10 of 1%, respectively, up to \$250 million; 3/4 of 1% and 5/8 of 1% over \$250 million up to \$500 million; and 1/2 of 1% and 1/2 of 1% respectively, over \$500 million for each Fund.

The Manager may voluntarily reimburse a portion of the operating expenses of a Fund for any fiscal year (including management fees, but excluding taxes, interest and brokerage commissions). Voluntary reimbursements may cease at any time without prior notice and are not subject to recoupment. For the year ended September 30, 2006 the advisor voluntarily waived \$10,145 of its advisory fee and reimbursed expenses of The Elite Income Fund in the amount of \$24,134.

The Trust paid the Chief Compliance Officer \$23,437 for the year ended September 30, 2006.

Certain officers of the Trust are officers of the Advisor.

NOTE 5 – CONCENTRATION

Although the funds have a diversified investment portfolio, there are certain credit risks due to the manner in which the portfolio is invested, which may subject the funds more significantly to economic changes occurring in certain industries or sectors. The Elite Growth & Income Fund has investments in excess of 10% in capital goods, consumer goods, energy, financial intermediaries and health care goods & services. The Elite Income Fund has investments in excess of 10% in securitized/asset backed bonds, corporate bonds – utilities – electric and U.S. Government/Agencies notes.

NOTE 6 – DISTRIBUTION TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL

The tax character of distributions paid during the years ended September 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
The Elite Growth & Income Fund		
Distributions from ordinary income	\$ 402,000	\$ 738,018
Distributions from long-term capital gains	\$7,456,696	\$2,584,219
The Elite Income Fund		
Distribution from ordinary income	\$ 795,757	\$ 807,309
Distribution from long-term capital gains	\$ -	\$ -

As of September 30, 2006, the components of distributable earnings on a tax basis were as follows:

The Elite Growth & Income Fund	
Unrealized appreciation of securities and options	\$10,758,630
Undistributed ordinary income	<u>94,451</u>
Total distributable earnings	<u>\$10,853,081</u>
The Elite Income Fund	
Undistributed ordinary income	\$ 58,268
Post October loss	(241,090)
Other accumulated losses	(332,305)
Unrealized appreciation of securities	<u>12,638</u>
	<u>\$(502,489)</u>

The Elite Income Fund had a capital loss carry forward of \$332,305 as of September 30, 2006, of which \$576 expires in 2013 and \$331,729 expires in 2014.

At September 30, 2006 the Elite Income Fund had deferred capital losses occurring subsequent to October 31, 2005 of \$241,090. For tax purposes, such losses will be reflected in the year ending September 30, 2007.

THE ELITE GROUP OF MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006

NOTE 7 – NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued *Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements"*. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurements. SFAS no. 157 applies to fair value measurements already required or permitted by existing standards. SFAS no. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of September 30, 2006, the Funds do not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements reported on the statement of changes in net assets for a fiscal period.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB interpretation 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes". This standard defines the thresholds for recognizing the benefits of tax-return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50 percent likely to be realized. FIN 48 is effective as of the beginning of the first fiscal year beginning after December 15, 2006. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. As of September 30, 2006, the Funds do not believe the impact of the adoption of FIN 48 will be material to the financial statements.

NOTE 8 – CHANGE IN REGISTERED PUBLIC ACCOUNTING FIRM

On December 15, 2005 Tait, Weller & Baker, LLP was removed as the independent registered public accounting firm for the Funds. Tait, Weller & Baker, LLP was previously engaged as the independent registered public accounting firm to audit the Funds' financial statements.

Tait, Weller & Baker, LLP issued reports on the Funds' financial statements as of September 30, 2005. Such reports did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

The decision to remove Tait, Weller & Baker, LLP was approved by the Funds' Board of Trustees.

At no time preceding the removal of Tait, Weller & Baker, LLP were there any disagreements with Tait, Weller & Baker, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Tait, Weller & Baker, LLP would have caused it to make reference to the subject matter of the disagreements in connection with its report. At no time preceding the removal of Tait, Weller & Baker, LLP did any of the events enumerated in paragraphs (1) (v) (A) through (D) of Item 304(a) of Regulation S-K occur.

The Funds engaged Briggs, Bunting & Dougherty, LLP as its new independent registered public accounting firm on December 15, 2005. At no time preceding the engagement of Briggs, Bunting & Dougherty, LLP did the Funds consult Briggs, Bunting & Dougherty, LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Funds' financial statements, or (ii) any matter that was either the subject of a disagreement or a reportable event, as such terms are defined in Item 304 of Regulation S-K.

NOTE 9 – CONTINGENCIES AND COMMITMENTS

The Funds indemnify the Trust's officers and trustees for certain liabilities that might arise from their performance of their duties to the Funds. Additionally, in the normal course of business the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

PROXY POLICIES / AVAILABILITY OF QUARTERLY PORTFOLIO HOLDINGS (Unaudited)

The Elite Group proxy voting policies and the voting record for those proxies are detailed on our web site www.elitefunds.com and are also available on the Securities & Exchange Commission web site www.sec.gov.

Portfolio Holdings: In addition to our Annual and Semi-Annual report which are dated September 30th and March 31st respectively, we will report to shareholders our security holdings as of June 30th and December 31st. The June and December reports will also be available on the SEC web site (N-Q) www.sec.gov. Our security holdings are available on our web site and updated monthly www.elitefunds.com.

BOARD OF TRUSTEES AND EXECUTIVE OFFICERS (Unaudited)

Over all responsibility for management of the Funds rests with the Board of Trustees. The Trustees serve during the lifetime of the Trust and until its termination, or until death, resignation, retirement or removal. The Trustees, in turn, elect the officers of the Fund to actively supervise its day-to-day operations. The officers have been elected for an annual term.

There were four quarterly Trustee meetings in the fiscal year. All the Trustees had 100% attendance with the exception of Mr. Meisenbach who was unable to attend one meeting. Because Mr. McCormick and Mr. Meisenbach are the sole owners of the investment advisor, McCormick Capital Management, they do not receive compensation for their duties as Trustee, Chairman of the Board and President (Mr. McCormick) and Trustee, Treasurer and Secretary (Mr. Meisenbach). The three independent Trustees received compensation of \$1,800 per meeting or \$7,200 per Trustee for a total of \$21,600. No other compensation was paid to any Trustee. The following are the Trustees and Executive of the Funds:

Trustee	Address	Age	Position Held with the Trust	Length of Time Served (Years)
Richard S. McCormick	1325 4 th Avenue Suite 1744 Seattle, WA 98101	60	Chairman, Board of Trustees and President	19
John W. Meisenbach	1325 4 th Avenue Suite 2100 Seattle, WA 98101	70	Trustee, Treasurer and Secretary	16
Lee A. Miller	P.O. Box 1882 Vashon Island, WA 98070	73	Trustee	10
John M. Parker	2400 Financial Center Bldg. Seattle, WA 98161	60	Trustee	19
Jack R. Policar	500 Union St. #410 Seattle, WA 98101	59	Trustee	19

Each Trustee oversees two portfolios of the Trust, including the Funds. The principal occupations of the Trustees and Executive Officers of the Fund during the past five years and public directorships held by the Trustees are set forth below. ***

* Richard S. McCormick	President and Chief Executive Officer of the Investment Manager
* John W. Meisenbach	Partner in MCM Financial (Insurance) Director of Costco Wholesale and Expeditors International
Lee A. Miller	Private Investor Vice President of Merrill Lynch & Co. (Retired)
John M. Parker	Sr. Vice President of Kennedy Associates, Inc. (Real Estate Advisor)
Jack R. Policar	President and Chief Executive of J. R. Policar, Inc. Certified Public Accounting Firm

* **Trustees deemed to be an "interested person" of the Trust, as defined in the Investment Company Act of 1940.**

*** **Additional information about the Trustees is available in the Statement of Additional Information which is available upon request, or ready for viewing on our web site: www.elitefunds.com**

**MUTUAL FUND EXPENSE
(UNAUDITED)**

There are several kinds of expenses involved in buying, selling and operating a mutual fund. These expenses represent costs to shareholders which will reduce the rate of return. The Elite Funds are “no load” mutual funds which mean there are no commissions, fees or expenses associated with paying sales representatives. Mutual funds that have sales fees are typically associated with stock brokerage firms, insurance companies, and some types of financial planners.

Although the Elite Group has no sales charges, like all the other funds it does have operating expenses. In addition to the fees paid to the manager of the fund there are expenses for attorneys, accountants, printing/mailings, transfer agent, custodians, and government registration fees. The table below is intended to help you understand your ongoing costs (in dollars) of investing in the fund and compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 at the beginning of the period and held for the entire period (April 1, 2006 through September 30, 2006).

The first line (“Actual Expense”) of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

The second line (“Hypothetical”) of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

In the Elite Funds there are no transactional costs so please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees, or exchange fees associated with other mutual funds. Therefore, the second line of the table is useful in comparing ongoing costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

The Elite Growth & Income Fund

	Beginning Account Value 4-01-06	Ending Account Value 09-30-06	Expenses Paid During Period* 04-01-06 to 09-30-06
Actual	\$1,000	\$1,047.67	\$6.90
Hypothetical (5% return before expenses)	\$1,000	\$1,018.33	\$6.80

The Elite Income Fund

	Beginning Account Value 4-01-06	Ending Account Value 09-30-06	Expenses Paid During Period* 04-01-06 to 09-30-06
Actual	\$1,000	\$1,017.77	\$4.82
Hypothetical (5% return before expenses)	\$1,000	\$1,010.17	\$4.79

* Expenses are equal to the Fund’s annualized expense ratio of 1.34% for The Growth & Income Fund and 0.94% for The Elite Income Fund, multiplied by the average account value over the period, multiplied by 183/365 (to reflect the one-half year period).

Returns and expenses are adjusted to reflect reimbursement from the manager which reduced the expense to the funds. These reimbursements may, at the discretion of the manager, stop at any time.

Tax Information (Unaudited)

The Trust is required to advise you within 60 days of the Funds' fiscal year-end regarding the federal tax status of certain distributions paid to shareholders during such fiscal year. The information below is provided for the fiscal year ending September 30, 2006.

During the fiscal year ended September 30, 2006, the Elite Growth & Income Fund hereby designates \$7,456,696 as long-term capital gain distributions.

Individual shareholders are eligible for reduced tax rates on qualified dividend income. For the fiscal year, the Funds hereby designate the following amounts of dividends paid to shareholders by each Fund as qualified dividend income:

Fund	Amount	Percentage	
Elite Growth & Income Fund	\$ 397,772	98.95	%
Elite Income Fund	22,890	2.88	%

Since the information above is reported for the Funds' fiscal year and not the calendar year, shareholders should refer to their Form 1099-DIV or other tax information which will be mailed in January 2007 to determine the calendar year amounts to be included on their 2006 tax returns. Shareholders should consult their tax advisers.