



**WAY Fund Managers Limited**

**WAY Global Red Active  
Portfolio Trust**

Final Report and Audited Financial Statements  
for the accounting year ended 31st March 2010

Issue date 28th July 2010

# WAY GLOBAL RED ACTIVE PORTFOLIO TRUST

Manager's Report and Accounts  
for the year ended 31st March 2010

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# WAY GLOBAL RED ACTIVE PORTFOLIO TRUST

## **Manager**

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

## **Independent Auditor**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

## **Directors of the Manager**

P Wilcox (Chairman)  
P Legg  
V Hoare  
A Stevens

## **Investment Adviser**

FundQuest UK Limited\*  
77 Queen Victoria Street  
London EC4V 4AY

WAY Investment Managers Limited\*\*  
50 Leadenhall Street  
London EC3A 2BJ

## **Trustee**

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

## **Registrar**

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

\* FundQuest ceased acting as investment adviser on 31st January 2010.

\*\* With effect from 1st February 2010 WAY Investment Managers Limited were appointed as investment adviser. WAY Investment Managers Limited, are an Appointed Representative of WAY Fund Managers Limited which is authorised and regulated by the Financial Services Authority (FSA).

# **REPORT OF THE INVESTMENT ADVISERS**

for the year ended 31st March 2010

## **Investment Objective and Policy**

The objective of the Trust is to provide maximum capital growth from an actively managed and diversified portfolio of collective investment schemes selected from markets worldwide.

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 use of derivatives is not permitted but borrowing will be permitted on a temporary basis under the terms of the Regulations.

Although the Trust will normally remain fully invested, the property of the Trust may consist of up to 10% cash or near cash where this may be reasonably regarded as necessary in order to enable the pursuit of the Trust's objective, the redemption of units and the efficient management of the Trust in accordance with its objectives or other purposes which may be reasonably regarded as ancillary to the objectives of the Trust.

## **Portfolio Review from 1st April 2009 to 31st January 2010^**

Equity markets during the middle part of 2009 were notable for their contrast to the preceding six months, as investor confidence and risk appetite returned with a vengeance. The good news that was the decline in the deterioration of macroeconomic indicators and positive corporate news for the first quarter earnings season were the initial catalysts, and were subsequently followed by other events such as the G20 undertakings in April and the successful stress testing of the US banking system.

However, despite these positive factors, other latent concerns emerged in the autumn and investor nervousness became more apparent in November, when the standstill agreement requested by the Dubai World conglomerate on part of its debt triggered a violent (albeit short-lived) reaction within equity markets, including those of developed countries. Towards the very end of the year though, support from the still accommodative stance of the major central banks; the weakness of the US dollar (up to early December) and the firmness of commodity prices kept markets on an upward trend going into January.

Expectations of a continued modest rally for the early part of 2010 were disappointed when a sudden and sharp consolidation set in two-thirds of the way through January. Investors reacted very strongly to measures aimed at curbing bank lending slightly in China and draft legislation in the US to limit the size of banks and their market trading activities. Investor concern also increased on publication of below-expectation US indicators (real estate transactions, employment and durable goods orders in particular), which manifested itself in a sharp rise in the VIX volatility Index.

## REPORT OF THE INVESTMENT ADVISERS

for the year ended 31st March 2010 - continued

Through the summer rally we built up exposure to areas where we felt growth would be stronger, adding to our Asia, Emerging Markets and Resources holdings. We continued with this strategy into the autumn and also added to growth oriented and more aggressively managed funds. We sold down some of our more defensively positioned and value orientated managers, such as Cazenove European, CF Odey Continental European and CF Morant Wright Japan, in favour of more aggressively managed funds such as Neptune European Opportunities, which is new to the portfolio, and Fidelity South East Asia. Another change we made in the portfolio more recently was the replacement of GLG Japan CoreAlpha with the value orientated Invesco Perpetual Japan Fund.

### Performance from 1st April 2009 to 31st January 2010<sup>^</sup>

Over the ten month period ending 31 January 2010, the WAY Global Red Active Portfolio Trust posted a return of 25.87%, behind the IMA Active Managed Sector Average return of 28.13%. It is pleasing to note however, that over the longer term, the Trust remains ahead of the peer group – since 2002, the Trust returned 7.32% on annualised basis compared to the peer group return of 6.30%.

### Cumulative Performance

Performance to 31st January	4 Months	10 Months	2 Years	3 Years	Since 01/09/02 (annualised)
	%	%	%	%	%
WAY Global Red Active Portfolio Trust	-0.41	25.87	1.10	-4.87	7.32
IMA Active Managed Sector Average	0.03	28.13	-3.55	-5.57	6.30

Source: Financial Express. Total return (bid to bid) basis in £, net revenue reinvested.

\* Date FundQuest was appointed investment adviser.

<sup>^</sup> FundQuest ceased acting as investment adviser 31st January 2010.

### Performance of Underlying Funds

Performance of the underlying funds was strong over the four month period, with the majority of the funds held outperforming their respective peer groups. Of particular note were the UK equity income funds, which had had a disappointing time during most of 2009, (partly due to being underweight financials, particularly banks) but performed particularly well from the fourth quarter onwards when financials fell out of favour with investors.

## REPORT OF THE INVESTMENT ADVISERS

for the year ended 31st March 2010 - continued

Other areas where performance was strong on both an absolute and relative basis was in the US and in the resources sector.

FundQuest UK Limited\*\*  
April 2010

\*\* *With effect from 1st February 2010 WAY Investment Managers Limited were appointed by WAY Fund Managers Limited to manage the WAY Global Red Active Portfolio Trust.*

### Portfolio Review from 1st February 2010 to 31st March 2010\*

The management of the WAY Global funds was taken "in house" from 1st February 2010.

Global equity markets took something of a dip in the early part of February but were soon recovering lost ground and in sterling terms made good progress to the end of March. Survey data in the major world economies was trending higher with the growth story being broadly evident for the past nine months or so. This has been coupled with progressively higher earnings estimates in most developed markets following reporting surprises on the upside notably in the UK where corporate earnings have been helped by weak sterling. Market volatility remained benign, peaking early in February and then trailing off towards the end of March.

### Performance from 1st February 2010 to 31st March 2010\*

Over the two month period ending 31/03/2010 WAY Global Red Active Portfolio Trust returned 10.86% ahead of the IMA Active Managed Sector Average return of 9.75% This has added to the longer term performance track record.

### Performance from 1st February 2010 to 31st March 2010\*

						2 Months %
WAY Global Red Active Portfolio Trust						10.86
IMA Active Managed Sector Average						9.75
Performance to 31st March 2010	6 Months	1 Year	2 Years	3 Years	Since 01/09/02* (annualised)	
	%	%	%	%	%	
WAY Global Red Active Portfolio Trust	9.91	38.91	13.10	2.90	8.56	
IMA Active Managed Sector Average	9.89	40.76	6.27	1.53	7.49	

## REPORT OF THE INVESTMENT ADVISERS

for the year ended 31st March 2010 - continued

### Discrete Performance

	2006	2007	2008	2009	YTD (31/03/10)
	%	%	%	%	%
WAY Global Red Active Portfolio Trust	8.26	3.98	-22.41	22.89	6.25

Source: Financial Express. Total return in £, revenue reinvested.

\* WAY Investment Managers Limited was appointed Fund Manager.

### Performance of Underlying Funds

The relative performance of most of the underlying funds continued to be strong. As would be expected upon a change in fund manager there were some underlying fund changes though this was expected to be and continues to be a gradual process. Gold has historically been a safe haven in times of uncertainty and a small investment has been made into the Gold fund managed by Charteris, the holding in Fidelity Special Situations has been reduced and the holding in Schroder Agriculture sold, all of which have been beneficial to performance.

### Outlook

If there is a recurring theme amongst market commentaries and forecasts for 2010 and beyond it is uncertainty that prevails. There is simply no experience of the current economic mix of developed world deficits, government intervention, political pontification, asymmetric global growth (or potentially decline) with a perceived shift in an economic sense towards the east.

Equity markets have made significant gains so far this year despite the uncertainties going forward. Within the heavily indebted developed markets the outlook for growth is not great and in the UK even less certain ahead of a General Election. Emerging markets and the Far East look set to continue to lead growth well beyond 2010.

Bond markets have continued to enjoy a return to more normalised market conditions though there remains plenty of opportunities within conventional corporates as well as the index linked market on an international basis.

Diversification will be a continuing theme with exposure to non-correlated alternative asset classes becoming more important as equity and bond market gains may become more illusive.

WAY Investment Managers Limited  
Investment Advisor to the Fund  
23rd April 2010

# PORTFOLIO STATEMENT

as at 31st March 2010

Holding	Market Value £	Percentage of Total Net Assets
		%
<b>Europe 14.35% (14.42%)</b>		
663,401 Cazenove European (Acc)	3,087,271	5.20
271,759 CF Odey Continental European (Acc)	1,448,748	2.44
785,283 JO Hambro Continental European	1,835,206	3.09
606,824 Neptune European Opportunities Fund Class 'B'	2,148,159	3.62
	<b>8,519,384</b>	<b>14.35</b>
<b>Far East 12.83% (5.49%)</b>		
726,004 First State Asia Pacific "B" (Acc)	2,371,711	3.99
695,776 Marlborough Far East Growth 'B' (Acc)	1,366,365	2.30
11,841 Tokio Marine Far East Equity	3,883,248	6.54
	<b>7,621,324</b>	<b>12.83</b>
<b>Global 15.28% (13.94%)</b>		
110,228 Fidelity Special Situations (Acc)	2,071,181	3.49
257,887 First State Global Resources 'B' (Acc)	960,189	1.62
160,354 JPMorgan Emerging Markets Alpha Plus	1,595,543	2.69
104,667 JPMorgan Natural Resources Fund A (Acc)	952,471	1.60
45,190 Nevsky Capital Global Emerging Markets	2,130,268	3.59
135,510 Seligman Global Horizon Global Technology 'I'	1,362,472	2.29
	<b>9,072,124</b>	<b>15.28</b>
<b>Japan 4.60% (6.23%)</b>		
664,500 CF Morant Wright Japan "B" (Acc)	1,396,115	2.35
480,916 Invesco Perpetual Japan (Acc)	1,339,063	2.25
	<b>2,735,178</b>	<b>4.60</b>
<b>United Kingdom 35.12% (39.12%)</b>		
1,921,453 Artemis Income (Inc)	3,109,103	5.23
229,875 AXA Framlington UK Select Opportunities (Acc)	3,903,285	6.57
1,785 Fidelity Investment Moneybuilder Income	548	-
159,924 Invesco Perpetual Income (Acc)	2,776,111	4.67
16,867 JP Morgan Income Opportunities 'A'	1,476,166	2.48
3,265,672 Premier Portfolio Absolute Growth 'I' (Acc)	1,772,933	2.98
2,861,944 PSigma Income (Acc)	2,346,794	3.95
4,345,711 Schroder UK Alpha Plus 'A' (Acc)	5,023,640	8.45
473,745 WAY Charteris Gold Portfolio Fund	470,808	0.79
	<b>20,879,388</b>	<b>35.12</b>

## PORTFOLIO STATEMENT - continued

as at 31st March 2010

<b>Holding</b>		<b>Market Value</b>	<b>Percentage of Total Net Assets</b>
		<b>£</b>	<b>%</b>
	<b>United States of America 14.50% (12.01%)</b>		
127,940	Findlay Park American Smaller Companies	3,478,650	5.86
2,593	UBAM Neuberger & Berman Value	1,128,653	1.90
5,450,813	UBS US Growth 'B' (Acc)	4,001,986	6.74
		<b>8,609,289</b>	<b>14.50</b>
	<b>Market Value of Investments</b>		
	<b>96.68% (91.21%)</b>	<b>57,436,687</b>	<b>96.68</b>
	Net other assets	1,974,635	3.32
	<b>Total net assets</b>	<b>59,411,322</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 31st March 2009.

All holdings are Collective Investment Schemes unless otherwise stated.

## PERFORMANCE RECORD

### Trust Size

Date	Net Asset Value (£)	Net Asset Value pence per unit		No. of units in issue	
		Accumulation	Income	Accumulation	Income
31st March 2008	61,196,904	109.96	109.96	46,458,040	9,193,526
31st March 2009	46,795,404	89.22	89.22	42,193,621	10,257,286
31st March 2010	59,411,322	124.10	124.10	10,520,853	37,352,284

### Unit Price Range

Calendar Year	Accumulation Units		Income Units	
	Highest Offer (pence)	Lowest (pence)	Highest Offer (pence)	Lowest Bid (pence)
2005	115.10	86.29	115.10	86.29
2006	125.00	102.80	125.00	102.80
2007	127.80	113.50	127.80	113.50
2008	130.40	83.05	130.40	83.05
2009	123.84	83.02	123.84	83.02
2010*	131.20	111.20	131.20	111.20

\* 1st January to 31st March 2010

### Other Relevant Prices

Date		Accumulation Units		Income Units	
		Offer Price (pence)	Bid Price (pence)	Offer Price (pence)	Bid Price (pence)
9th December 1991	Launch Date	50.00	50.00	-	-
2nd February 2004	Launch Date	-	-	83.21	78.71
31st March 2010	Accounts Date	131.12	124.30	131.12	124.30
23rd April 2010	Latest Date	130.94	124.13	130.94	124.13

### Net Revenue Accumulation/Distribution

Since the launch of the Trust on 9th December 1991, no revenue distributions have been made.

## **PERFORMANCE RECORD - continued**

### **Total Expense Ratio (TER)**

The TER of the Trust as at 31st March 2010 was 2.93% (31st March 2009: 2.98%).

Past performance is not necessarily a guide to future performance. Investors are reminded that the price of shares and the revenue from their investment may fluctuate.

### **Portfolio Turnover Rate**

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

The PTR for the twelve months ending 31st March 2010 was 31.59% compared to 131.35% for the year ended 31st March 2009.

**Authorised Status**

WAY Global Red Active Portfolio Trust is an Authorised Unit Trust Scheme as defined in Section 243 of the Financial Services and Markets Act 2000, and is a UCITS Scheme within the meaning of the Financial Services Authority's Collective Investment Schemes sourcebook ("COLL").

**Directors' Statement**

This annual report and financial statements on pages 15 to 27 were approved by the Manager and signed on its behalf by:

A Stevens (Director)

V Hoare (Director)

WAY Fund Managers Limited

28th July 2010

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

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

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

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

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

The Trustee is under a duty to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules in the Financial Services Authority's Collective Investment Schemes sourcebook (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 WAY Global Red Active Portfolio Trust**

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 provisions of the Trust Deed and the rules in the Financial Services Authority's Collective Investment Schemes sourcebook (COLL).

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

28th July 2010

## **Report of the Independent Auditor to the Unitholders of WAY Global Red Active Portfolio Trust**

We have audited the financial statements of WAY Global Red Active Portfolio Trust for the year ended 31st March 2010 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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

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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association, the Financial Services Authority's Collective Investment Schemes sourcebook, and the trust deed. We also report to you whether in our opinion the information given in the Manager's Report (which comprises the management and professional service details, the report of the investment advisers, the portfolio statement and the authorised status) is consistent with the financial statements, and state whether we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Performance Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Trust as at 31st March 2010 and of the net expense and net capital gains on the scheme property of the Trust for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association in November 2008, the Financial Services Authority's Collective Investment Schemes sourcebook, and the trust deed; and
- the information given in the Manager's Report is consistent with the financial statements.

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

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

28th July 2010

## STATEMENT OF TOTAL RETURN

for the year ended 31st March 2010

	Notes	2010		2009	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		18,573		(10,704)
Revenue	6	823		774	
Expenses	7	(1,171)		(1,133)	
Finance costs: Interest	9	(4)		(12)	
Net expense before taxation		(352)		(371)	
Taxation	8	(49)		(47)	
Net expense after taxation			(401)		(418)
<b>Total return before distributions</b>			<b>18,172</b>		<b>(11,122)</b>
Finance costs: Distributions	9		-		-
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>18,172</b>		<b>(11,122)</b>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st March

	2010		2009	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		<b>46,795</b>		61,197
Amounts receivable on creation of units	4,444		2,510	
Less: Amounts payable on cancellation of units	(9,977)		(5,781)	
		(5,533)		(3,271)
Change in net assets attributable to unitholders from investment activities (see above)		18,172		(11,122)
Stamp Duty Reserve Tax		(23)		(9)
<b>Closing net assets attributable to unitholders</b>		<b>59,411</b>		<b>46,795</b>

## BALANCE SHEET

as at 31st March 2010

	Notes	2010 £'000	2009 £'000
<b>Assets</b>			
Investment assets		<b>57,437</b>	42,684
		<hr/>	
Debtors	10	141	1,159
Cash and bank balances		<b>2,924</b>	3,521
		<hr/>	
Total other assets		<b>3,065</b>	4,680
		<hr/>	
<b>Total assets</b>		<b>60,502</b>	47,364
		<hr/>	
<b>Liabilities</b>			
Creditors	11	(669)	(107)
Bank overdrafts		<b>(422)</b>	(462)
		<hr/>	
<b>Total liabilities</b>		<b>(1,091)</b>	(569)
		<hr/>	
<b>Net assets attributable to unitholders</b>		<b>59,411</b>	46,795
		<hr/> <hr/>	

# NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010

## 1. Accounting Policies

### **Basis of Accounting**

The annual financial statements have been prepared under 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 November 2008 (the IMA SORP 2008).

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

### **Valuation of Investments**

All investments, which are collective investment schemes, are shown at the bid price, or in the case of shares in open-ended investment companies, their single price at 12 noon on the last working day of the accounting year.

### **Foreign Exchange**

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at 12 noon on 31st March 2010, being the last working day of the accounting year.

### **Revenue**

Distributions from Collective Investment Schemes are included in the property when the investment is quoted ex-distribution. Bank interest and other revenue is recognised on an accruals basis. Bank interest and renewal commission is accounted for on an accruals basis. Renewal commissions are included in revenue or capital according to whether they are of a revenue or capital nature in the underlying collective investment scheme.

### **Expenses**

All expenses are charged against income, other than those relating to the purchase and sale of investments which are charged to capital.

# NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

## 1. Accounting Policies - *continued*

### Taxation

The charge for taxation is based on the revenue for the year. UK distributions revenue 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.

## 2. Distribution Policies

### Basis of Distribution

When appropriate the Company will allocate any surplus net revenue as a dividend distribution.

### Distributions from Collective Investment Schemes

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

## 3. Risk Management Policies

The Fund Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure, as frequently as appropriate, the exposure to risks and their potential impact to a trusts overall risk profile.

The Manager's policies for the identification and mitigation of risks are detailed in Note 16 to the Accounts.

## 4. Net Capital Gains/(Losses)

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

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Non-derivative securities	<b>18,425</b>	(10,936)
Other currency gains	<b>53</b>	97
Transaction charges	<b>(3)</b>	(5)
Renewal commission	<b>98</b>	140
Net capital gains/(losses) on investments	<b>18,573</b>	(10,704)

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

### 5. Purchases, Sales and Transaction Costs

As the Trust only invests in collective investment schemes, there are no associated transaction costs. Portfolio transaction costs are generally referred to as brokerage fees, renewal commissions, stamp duty reserve taxes and interest charges for purchases or sales of securities held in the portfolio. These costs exclude security transaction charges which are paid to the Trustee as shown in note 4.

### 6. Revenue

	2010	2009
	£'000	£'000
Bank interest	9	104
Franked CIS distributions	435	278
Unfranked CIS distributions	379	392
	<u>823</u>	<u>774</u>

### 7. Expenses

	2010	2009
	£'000	£'000
<b>Payable to the Manager or associates of the Manager:</b>		
Manager's periodic charge	1,119	1,077
Registration fees	14	15
	<u>1,133</u>	<u>1,092</u>
<b>Payable to the Trustee or associates of the Trustee:</b>		
Trustee's fee	24	24
Safe custody charges	7	9
	<u>31</u>	<u>33</u>
<b>Other expenses:</b>		
Audit fees	7	7
FSA and other regulatory fees	-	1
	<u>7</u>	<u>8</u>
Total expenses	<u>1,171</u>	<u>1,133</u>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

### 8. Taxation

	<b>2010</b>	2009
	<b>£'000</b>	£'000
a) Analysis of charge in year:		
Irrecoverable UK income tax	<b>49</b>	47
Current tax charge (note 8b)	<b>49</b>	47
Deferred tax (note 8c)	-	-
Total Taxation	<b>49</b>	47
b) Factors affecting taxation charge for the year:		
Net expense before taxation	<b>(352)</b>	(371)
Corporation tax at 20% (2009: 20%)	<b>(70)</b>	(74)
Effects of:		
Franked CIS distributions	<b>(87)</b>	(56)
Current year expenses not utilised	<b>138</b>	102
Irrecoverable UK income tax	<b>49</b>	47
Tax effect of capital renewal commission	<b>19</b>	28
Current tax charge (note 8a)	<b>49</b>	47
c) Deferred tax		
Provision at the start of the year	-	-
Deferred tax charge in the year	-	-
Provision at the end of the year	-	-

The Fund has not recognised a deferred tax asset of £1,176,462 (2009: £1,038,701) arising as a result of having unutilised management expenses. It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised in the year or the prior year.

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

### 9. Finance Costs

#### Distributions and Interest

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

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Distributions to unitholders	-	-
Add: Revenue deducted on units cancelled	-	-
Deduct: Revenue received on units created	-	-
Net distribution for the year	-	-
Interest	<b>4</b>	12
Total finance costs	<b>4</b>	12

#### Movement between net revenue and distributions

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Net expense after taxation	<b>(401)</b>	(418)
Add: Revenue shortfall	<b>401</b>	418
	-	-

### 10. Debtors

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Accrued revenue	<b>132</b>	134
Amounts receivable for issue of units	-	48
Recoverable income tax	<b>9</b>	16
Sales awaiting settlement	-	961
	<b>141</b>	1,159

# NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

## 11. Creditors

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Accrued expenses	<b>122</b>	105
Amounts payable for cancellation of units	<b>425</b>	2
Purchases awaiting settlement	<b>122</b>	-
	<b>669</b>	107

## 12. Equalisation

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

## 13. Related parties

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

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

The Fund also has invested in 473,745 shares in WAY Charteris Gold Portfolio Fund, a fund with the same Manager.

Amounts payable to WAY Fund Managers Limited in respect of Manager's periodic charges are disclosed in note 7. £105,443 (31/03/09: £77,805) was due at the year end.

Amounts payable to State Street Trustees Limited in respect of trustee services, safe custody charges and security transaction charges are disclosed in note 7 & 4. £5,380 (31/03/09: £8,563) was due at the year end.

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

### 13. Related parties - *continued*

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

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

### 14. Units

The Trust issues both Income and Accumulation units. Income units are only available for investments in the WAY Inheritor Plan.

The Manager's periodic charge is currently charged at 2% of net assets.

The net asset value per unit and number of units in issue are given in the performance record on page 9.

### 15. Financial Instruments

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

- units and shares in collective investment vehicles. These are held in accordance with the Trust's investment objective and policies;
- cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- unitholders' capital which represents investors' monies which are invested on their behalf; and
- temporary borrowings used to finance investment activity.

### 16. Risks of Financial Instruments

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

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

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

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

The Investment Adviser regularly considers the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

The Manager does not use derivative instruments.

- *Foreign currency risk* - the Trust's financial assets and liabilities are invested in other Unit Trusts and ICVCs, most, but not all, of whose prices are quoted in Sterling. The Trust therefore has a direct exposure to foreign currency risk in respect of part of its portfolio.

In addition, the value of some of the Trust's investments will be affected by movements in exchange rates against Sterling, where those investments themselves hold non-Sterling denominated assets.

The Trust's performance is reported in Sterling. However, its assets are denominated in a range of other currencies. As a result the Trust's investments are subject not only to market place risk but also to the fluctuation in exchange rates between Sterling and other currencies. These fluctuations may have a significant effect on the capital value of the Trust's investments and revenue therefrom. The Trust does not hedge its exposure to currency risk by taking forward currency positions in relation to assets denominated in currencies other than Sterling. The direct currency exposure of the Trust is detailed below.

Net foreign currency assets at 31st March 2010 was as follows:

	<b>Monetary exposures 2010 £'000</b>	<b>Non-Monetary exposures 2010 £'000</b>	<b>Total 2010 £'000</b>
<b>Currency</b>			
<b>US Dollar</b>	-	<b>9,853</b>	<b>9,853</b>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

### 16. Risks of Financial Instruments - continued

Net foreign currency assets at 31st March 2009 was as follows:

	Monetary exposures 2009 £'000	Non-Monetary exposures 2009 £'000	Total 2009 £'000
Currency			
US Dollar	-	6,685	6,685

- *Interest rate risk* - the majority of the Trust's financial assets are Unit Trusts and ICVCs which neither pay interest nor have a maturity date. The Trust's financial assets also include bonds held in the underlying funds, which are subject to interest rate risk.

The direct interest rate risk profile of financial assets and financial liabilities as at 31st March 2010 was as follows:

	Floating Rate financial assets 2010 £'000	Financial assets not carrying interest 2010 £'000	Total 2010 £'000
Currency			
Sterling	2,924	47,716	50,640
US Dollar	-	9,853	9,853
	<b>2,924</b>	<b>57,569</b>	<b>60,493</b>

	Floating Rate financial liabilities 2010 £'000	Financial liabilities not carrying interest 2010 £'000	Total 2010 £'000
Currency			
Sterling	(422)	(547)	(969)

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

### 16. Risks of Financial Instruments - continued

The direct interest rate risk profile of financial assets and financial liabilities as at 31st March 2009 was as follows:

Currency	Floating Rate financial assets	Financial assets not carrying interest	Total
	2009 £'000	2009 £'000	2009 £'000
Sterling	3,521	37,142	40,663
US Dollar	-	6,685	6,685
	<u>3,521</u>	<u>43,827</u>	<u>47,348</u>

Currency	Floating Rate financial liabilities	Financial liabilities not carrying interest	Total
	2009 £'000	2009 £'000	2009 £'000
Sterling	<u>462</u>	<u>107</u>	<u>569</u>

Short term debtors and creditors have been included in the above interest rate risk profiles.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

as at 31st March 2010 - continued

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

- *Fair value* - there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.
- *Derivatives and other financial instruments* - the Trust does not hold any derivatives.

## **GENERAL INFORMATION**

### **Trust Deed**

The Trust was established by a Trust Deed made between the Manager and the Trustee dated 27th November 1991.

### **Prospectus**

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

### **Pricing and Dealing**

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

With effect from 26th April 2010 the price of investments will be quoted based on a single price basis (on a mid market basis).

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

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a special price within the limits laid down under the Regulations.

The minimum initial lump sum investment in the Trust is £5,000 (WAY Inheritor Plan minimum, into income units only, is £100,000) 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.

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

## **GENERAL INFORMATION - continued**

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

The initial charge on the Trust is 5.25% and the annual management fee is 2%. The Trust Deed permits these to be increased to a maximum of 7.527% and 3.25% respectively, with any proposed increases subject to three months' notice to unitholders. As at 23rd April 2010 the difference between the bid and the offer prices was 5.49%.

As at 23rd April 2010 the net estimated yield was nil. This yield is calculated and published daily.

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

### **Reports**

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

### **Publication of Prices**

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

### **Stamp Duty Reserve Tax**

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

### **Capital Gains Tax**

As an authorised unit trust, the Trust is exempt from UK Capital Gains tax. An individual's first £10,100 of net gains on disposals in the 2010/2011 tax period are exempt from tax. Gains in excess of £10,100 will be taxed according to how long the investment has been held for periods after 6th April 1998.

### **Important Information**

It is important to remember that the price of units, and the revenue 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.