

Prudential (Newton) Managed Trust

Manager's annual report for the
year ended 30 November 2009
(audited)

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⁺ Collectively, these comprise the Manager's Report.

Trust objective and policy

The objective is to maximise the total long term return by investment in a portfolio wholly or mainly invested in equity-type securities with approximately two-thirds of the equity exposure of the fund being obtained in the UK. Up to 15% of the fund may be invested in non equity-type securities.

Manager's comments

During the 12-month review period, the trust rose by 24.2%* in terms of total return (capital performance with net income reinvested), while its peer group the IMA Active Managed Sector rose by 27.8%* .

Global equity markets had a rollercoaster 12 months, which started with a raft of dismal economic data released in December 2008, 'quantitative easing' by monetary authorities became the key theme and interest rates were cut around the world. Quantitative easing is where the bank buys back UK government bonds from investors in order to increase the money supply in the economy. The new year brought further declines as heightened volatility continued to characterise financial markets and corporate news-flow was equally unconstructive, with the year-end reporting season bringing disappointments from a number of bellwether companies.

Banks were once again the subject of a flurry of recapitalisations and new policy initiatives, along with monetary authorities adopting further 'quantitative easing', on both sides of the Atlantic. Investors took some comfort from this array of policy action which, together with an apparent stabilisation in certain macroeconomic data, provided the catalyst for a rally towards the end of March.

Following several months of poor returns global stock markets rebounded sharply in the second quarter of 2009, during which world leaders at the G20 summit succeeded in enthusing investors with their upbeat rhetoric. In many ways, this set the tone for the remainder of the quarter as an essentially mixed roster of economic data was greeted with enthusiasm by investors. However in reality the majority of data indicated merely a moderation in the hitherto precipitous pace of decline assisted, in large measure, by the rebuilding of depleted inventories, as opposed to any genuine resurgence in underlying demand.

Manager's comments (continued)

The risk rally continued into November, which reflected the huge scale of the authorities' response to the financial crisis and recession. The caution of governments and central banks about the durability of economic recovery kept policy extremely loose and allowed investors to gain enthusiasm about the outlook. However, the scarcity of credit, combined with a relatively weak outlook for consumer incomes and capital expenditure, continues to point to anaemic recovery in the large western economies. Dubai's problems also highlight that risks remain within the financial sector.

Over the 12-month review period, our most overweight sector was mobile telecommunications, due to their attractive valuations and the growth potential in developing economies, such as Africa. Mobile phone network provider Millicom International Cellular was the sector's best performing holding. We were overweight in pharmaceuticals, such as GlaxoSmithKline and Hikma, because of their defensive earnings, cash flow and yield. Additionally we remained overweight in aerospace & defence due to its defensive qualities and valuations. British manufacturing company Cobham, which specialises in mission, defence, avionics and surveillance systems, was one of the largest holdings in this sector.

Signs of optimism and better than expected macro data helped push cyclical stocks higher, particularly the metals and mining sectors, which meant that the trust's more defensively biased portfolio, such as the pharmaceutical and aerospace holdings, hindered performance in this environment.

Market volatility and large movements in prices and valuations coupled with government intervention led us to buy bonds earlier in the year for their yield and because they benefit in a quantitative easing environment. Since that environment has passed, they have been sold down. HSBC Holdings was sold in January on concerns about the global economy; it was bought back later in the year after the stock reduced its exposure to the US and now that the Asian emerging markets appear to have stabilised.

Wyeth's valuation discount to its peers closed, so we decided to exit the holding. Following similarly good runs, profits were also realised through selling pharmaceutical company Pfizer, global business services manager Serco Group and oil exploration company Total.

Manager's comments (continued)

There remains a great deal of uncertainty and further volatility is likely, however our longer-term investment themes do provide fundamental guidance to the kind of future we face. We believe that the top priority is the need to 'rebalance' economic activity (our Global Realignment theme). Most western economies need broadly to consume less, save more and put greater emphasis on reducing trade imbalances by exporting more goods. The developing world, and economies such as Germany and Japan, which have a balance of trade surplus, need to do the opposite. This transition will not happen overnight, however, the trend is inexorable, and the trust will remain focused upon avoiding the risks of change and in defensive areas where valuations are more certain and offer greater upside.

* Source: Morningstar, Inc.

Basis: Bid to bid with net income reinvested to 30 November 2009.

Newton Investment Management Limited **Investment adviser**

Please note that the views expressed in this Report should not be taken as a recommendation or advice as to how the Prudential (Newton) Managed Trust or any holding mentioned in the Report is likely to perform. If you wish to obtain financial advice as to whether an investment is suitable for your needs, you should consult a financial adviser.

Trust statistics

Sterling Class 'C' units are not generally available to all investors.

Distribution dates and trust facts

Distribution type	xd	payment
Interim	01.06.10	31.07.10
Final	01.12.10	31.01.11

	Final distribution		Total Expense Ratio ^[b]	
	Inc 31.01.10 ^[a]	Acc 01.12.09 ^[a]	30.11.09	30.11.08
Sterling	p	p	%	%
Class 'A'	n/a	1.0210	1.76	1.78
Class 'C'	2.0250	n/a	0.03	0.03

The Portfolio Turnover Rate (PTR) for the 12 months ending 30 November 2009 was 103.64% compared with 68.51% for the year ending 30 November 2008. ^[c]

^[a] The date on which the final distribution will be paid to Income unitholders and credited to Accumulation unitholders.

^[b] The Total Expense Ratio (TER) shows the relevant annualised operating expenses of each unit class from the most recent reporting period as a single percentage of the average net asset value for that unit class over the same period.

^[c] The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the trust over the course of a 12 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 units and is expressed as a percentage of the trust's average net asset value.

Income accrued from interest-bearing securities is distributed on an effective yield basis.

Trust performance

Performance of unit classes.

	Net asset value per unit as at 30.11.09		Net asset value per unit as at 30.11.08		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	n/a	135.83	n/a	109.47	n/a	+24.08
Class 'C'	129.20	n/a	106.21	n/a	+21.65	n/a

Trust statistics

Prices ^[a]

Prior to conversion to multi-unit class.

	Calendar year	Income units		Accumulation units	
		Highest	Lowest	Highest	Lowest
Sterling		p	p	p	p
	2004	n/a	n/a	111.00	93.06
	2005 ^[b]	n/a	n/a	126.16	105.11

^[a] Up until 28 May 2005 the trust was dual priced and the figures show the highest offer price and the lowest bid price. From 31 May 2005 the trust was single priced and from this date now shows both the highest price and lowest price.

^[b] Up to 30 November 2005.

Post conversion to multi-unit class.

	Calendar year	Income units		Accumulation units	
		Highest	Lowest	Highest	Lowest
Sterling Class 'A'		p	p	p	p
	2005 ^[a]	n/a	n/a	128.37	124.33
	2006	n/a	n/a	143.61	123.61
	2007	n/a	n/a	165.06	138.75
	2008	n/a	n/a	165.71	100.57
	2009 ^[b]	n/a	n/a	137.83	104.32
Class 'C'	2005 ^[a]	128.49	124.33	n/a	n/a
	2006	142.56	122.96	n/a	n/a
	2007	163.63	138.01	n/a	n/a
	2008	163.29	99.24	n/a	n/a
	2009 ^[b]	133.09	101.57	n/a	n/a

^[a] From 1 December 2005 (the launch date of the unit class).

^[b] Up to 1 December 2009.

Trust statistics

Income

Dividend income per unit

Prior to conversion to multi-unit class.

	Calendar year	Final	Distributed Interim	Total	Reinvested
Sterling (net)		p	p	p	p
	2004	n/a	n/a	n/a	1.0386
	2005 ^[a]	n/a	n/a	n/a	1.3149

[a] Up to final: ex-distribution date 1 December 2005;
payment date 31 January 2006.

Post conversion to multi-unit class.

	Calendar year	Final	Distributed Interim	Total	Reinvested
Sterling (net)		p	p	p	p
Class 'A'	2006	n/a	n/a	n/a	1.2943
	2007	n/a	n/a	n/a	1.2456
	2008	n/a	n/a	n/a	1.6440
	2009	n/a	n/a	n/a	2.3910
Class 'C'	2006	n/a	1.8559	1.8559	n/a
	2007	1.7076	1.9905	3.6981	n/a
	2008	1.8100	2.0980	3.9080	n/a
	2009	1.9870	2.2830	4.2700	n/a
	2010 ^[a]	2.0250	-	2.0250	n/a

[a] Up to final: ex-distribution date 1 December 2009;
payment date 31 January 2010.

Past performance is not a guide to future performance.

The price of units and the income from them can go down as well as up, and you may get back less than you invested.

Trust statistics

Net assets

	Year ended	Value per unit		Number of units	
		Inc	Acc	Inc	Acc
Sterling		p	p		
Class 'A'	Nov 2007	n/a	159.90	n/a	4,505,390
	Nov 2008	n/a	109.47	n/a	3,947,390
	Nov 2009	n/a	135.83	n/a	3,672,590
Class 'C'	Nov 2007	157.36	n/a	118,605,500	n/a
	Nov 2008	106.21	n/a	117,526,800	n/a
	Nov 2009	129.20	n/a	121,417,300	n/a

Total net asset value of trust

Year ended	£
Nov 2007	193,845,000
Nov 2008	129,141,000
Nov 2009	161,859,000

Portfolio

Portfolio statement

as at 30 November 2009

Holding	Value £'000	30.11.09 %	30.11.08 ^[a] %
Equities		90.32	91.22
Argentina		0.00	0.01
Australia		2.78	2.13
229,436	AMP	785	0.48
91,877	Newcrest Mining	1,871	1.16
45,894	Oil Search	145	0.09
70,555	QBE Insurance Group	869	0.54
101,530	Santos	827	0.51
Bermuda		0.00	0.75
Brazil		3.00	2.76
109,206	ALL America Latina Logistica	604	0.37
38,600	Hypermarcas	480	0.30
43,500	Natura Cosméticos	509	0.31
37,785	Petroleo Brasileiros	1,031	0.64
147,444	Rossi Residencial	716	0.44
116,403	Tele Norte Leste Participacoes ADR	1,522	0.94
Canada		1.22	0.52
24,900	Barrick Gold	643	0.40
36,291	Gildan Activewear	415	0.26
13,373	Potash Corp. of Saskatchewan	908	0.56
Denmark		0.37	0.00
14,207	Vestas Wind Systems	603	0.37
France		1.53	1.36
9,072	Air Liquide	643	0.40
11,389	Alstom	485	0.30
13,599	BNP Paribas	676	0.42
22,276	Thales	667	0.41
Germany		2.47	3.07
20,565	Bayer	953	0.59
13,045	Deutsche Börse	667	0.41
66,239	Deutsche Post	754	0.47
98,192	Deutsche Telekom	884	0.55
1,860	Fresenius Medical Care	60	0.04
17,328	K&S	632	0.39
17,328	K&S nil paid	35	0.02
Hong Kong		1.45	2.74
1,522,000	Belle International	1,148	0.71
1,600,000	Franshion Properties	336	0.21
828,000	Harbin Power Equipment 'H'	459	0.28
350,000	Shimao Property Holdings	403	0.25
Israel		0.00	0.39

Portfolio

Portfolio statement (continued)

as at 30 November 2009

Holding		Value £'000	30.11.09 %	30.11.08 ^[a] %
Japan			2.38	5.10
32,900	Capcom	322	0.20	
155	INPEX	734	0.45	
21,200	Lawson	638	0.39	
37,000	Mitsubishi	507	0.31	
190,300	Mitsubishi UFJ Financial Group	645	0.40	
2,500	Nintendo	373	0.23	
149,000	Nomura Holdings	651	0.40	
Malaysia			0.00	0.57
Netherlands			0.41	0.29
28,480	ArcelorMittal	670	0.41	
Norway			0.52	0.88
54,294	Aker Kvaerner	411	0.25	
43,229	Subsea 7	442	0.27	
Republic of Korea			0.68	1.21
124,706	LG Telecom	534	0.33	
14,421	Taewoong	559	0.35	
Russia			0.00	0.54
Singapore			1.50	1.04
214,500	DBS Group Holdings	1,347	0.83	
210,000	Noble Group	286	0.18	
671,173	Parkway Holdings	786	0.49	
South Africa			0.91	0.49
99,361	Gold Fields	883	0.55	
61,414	MTN Group	590	0.36	
Spain			0.47	0.84
9,745	Acciona	763	0.47	
Switzerland			4.10	6.21
16,425	Actelion	587	0.36	
25,714	Bank Sarasin & Cie	593	0.37	
14,880	Lonza Group	701	0.43	
43,776	Novartis (Regd.)	1,484	0.92	
15,099	Roche Holding 'Genussscheine' (non-voting)	1,503	0.93	
4,155	Syngenta (Regd.)	670	0.41	
8,454	Zurich Financial Services Group (Regd.)	1,105	0.68	
Thailand			1.11	1.02
325,300	Advanced Info Service	481	0.30	
332,400	Bangkok Bank	683	0.42	
411,700	Siam Commercial Bank	637	0.39	

Portfolio

Portfolio statement (continued)

as at 30 November 2009

Holding	Value £'000	30.11.09 %	30.11.08 ^[a] %
United Kingdom		54.27	46.81
Oil & gas producers		10.24	10.28
409,881	BG Group	4,544	2.81
1,229,574	BP	7,107	4.39
281,526	Royal Dutch Shell 'B'	4,918	3.04
Oil equipment, services & distribution		0.79	0.00
83,800	AMEC	665	0.41
202,181	Wood (John) Group	619	0.38
Mining		2.80	1.65
43,058	Anglo American	1,119	0.69
183,287	BHP Billiton	3,416	2.11
Aerospace & defence		3.04	3.25
570,225	BAE Systems	1,889	1.17
536,503	Cobham	1,215	0.75
489,759	QinetiQ Group	775	0.48
191,155	VT Group	1,030	0.64
General industrials		0.75	0.65
126,887	Smiths Group	1,214	0.75
Support services		2.70	1.87
200,935	Bunzl	1,267	0.78
114,601	Capita Group	825	0.51
328,980	Experian Group	1,901	1.17
396,976	Hays	393	0.24
Beverages		0.00	0.73
Food producers		1.98	1.73
179,771	Unilever	3,212	1.98
Tobacco		2.09	2.00
182,768	British American Tobacco	3,378	2.09
Healthcare equipment & services		1.26	0.97
350,790	Smith & Nephew	2,045	1.26
Pharmaceuticals & biotechnology		5.57	5.13
70,449	AstraZeneca	1,915	1.18
469,528	GlaxoSmithKline	5,928	3.66
243,395	Hikma Pharmaceuticals	1,175	0.73
Food & drug retailers		2.07	1.58
793,995	Tesco	3,357	2.07
Media		1.55	1.54
178,311	British Sky Broadcasting Group	942	0.58
361,970	Informa	1,006	0.62
124,410	Reed Elsevier	574	0.35

Portfolio

Portfolio statement (continued)

as at 30 November 2009

Holding	Value £'000	30.11.09 %	30.11.08 ^[a] %
United Kingdom (continued)			
Travel & leisure			
154,700	FirstGroup	611	0.38
257,900	TUI Travel	640	0.40
119,474	Whitbread	1,546	0.96
Fixed line telecommunications		2.07	2.26
1,686,411	Cable & Wireless	2,395	1.48
500,572	Carphone Warehouse	957	0.59
Mobile telecommunications		3.80	4.00
4,492,878	Vodafone Group	6,157	3.80
Electricity		0.86	0.88
124,725	Scottish & Southern Energy	1,397	0.86
Gas, water & multi-utilities		2.44	2.40
745,041	Centrica	1,901	1.17
310,376	National Grid	2,052	1.27
Banks		4.23	4.00
464,971	HSBC Holdings	3,304	2.04
237,622	Standard Chartered	3,541	2.19
Financial services		1.62	0.44
265,739	ICAP	1,171	0.72
446,475	Man Group	1,451	0.90
Life insurance		1.26	1.10
321,513	Prudential	2,029	1.26
Non-life insurance		0.66	0.00
899,824	RSA Insurance Group	1,059	0.66
Software & computer services		0.63	0.00
474,649	Sage Group	1,022	0.63
AIM quoted		0.12	0.07
1,090,567	London Asia Chinese Private Equity	196	0.12
133,113	London Asia Chinese Private Equity (Warrants)	0	0.00
Unlisted / unquoted		0.00	0.00
22,300	RT Group	0	0.00
United States		11.15	12.49
24,980	Agilent Technologies	437	0.27
56,042	Altria Group	646	0.40
103,500	Arena Pharmaceuticals	222	0.14
66,414	Bank of America	624	0.39
84,541	Cisco Systems	1,200	0.74
40,900	Corinthian Colleges	371	0.23
13,069	Devon Energy	535	0.33

Portfolio

Portfolio statement (continued)

as at 30 November 2009

Holding	Value £'000	30.11.09 %	30.11.08 ^[a] %
United States (continued)			
21,333	Emerson Electronic	537	0.33
16,148	ESCO Technologies	326	0.20
38,270	FLIR Systems	669	0.41
23,941	Genzyme	742	0.46
8,014	Goldman Sachs Group	799	0.49
70,213	Halliburton	1,240	0.77
144,197	Interpublic Group	565	0.35
14,960	L-3 Communications	712	0.44
22,845	Millicom International Cellular	1,052	0.65
14,145	Monsanto	683	0.42
13,166	Mosaic	434	0.27
47,200	Principal Financial Group	716	0.44
30,030	Procter & Gamble	1,139	0.71
866,114	Sprint Nextel	1,971	1.22
103,042	Taiwan Semiconductor ADR	645	0.40
12,960	Union Pacific	497	0.31
19,400	Wal-Mart Stores	643	0.40
22,635	Wisconsin Energy	619	0.38
Bonds		8.03	0.18
'AAA' credit rated bonds		1.91	0.00
£1,552,000	Treasury 4.75% 2038	1,720	1.06
£1,240,000	Treasury 5% 2025	1,372	0.85
'A' credit rated bonds		0.45	0.00
£385,000	QBE Insurance 6.125% 2015	397	0.25
£315,000	Tesco Property Finance 6.0517% 2039	327	0.20
'BBB' credit rated bonds		0.71	0.18
£250,000	G4S 7.75% 2019	286	0.18
£700,000	Imperial Tobacco Finance 7.75% 2019	799	0.49
€ 79,000	Royal Bank of Scotland Var. Rate 2021	57	0.04
'BB' credit rated bonds		1.65	0.00
\$650,000	Nextel Communications 6.875% 2013	368	0.23
€ 850,000	PE Paper Escrow 11.75% 2014	822	0.51
€ 530,000	Smurfit Kappa Acquisitio 7.25% 2017	466	0.29
€ 560,000	UPC Germany 8.125% 2017	505	0.31
€ 500,000	Wind Acquisition Finance 11.75% 2017	503	0.31

Portfolio

Portfolio statement (continued)

as at 30 November 2009

Holding	Value £'000	30.11.09 %	30.11.08 ^[a] %
'B' credit rated bonds		1.65	0.00
€ 900,000	Campofrio Food 8.25% 2016	811	0.50
€ 470,000	Central European Media Enterprises 11.625% 2016	403	0.25
€ 250,000	HeidelbergCement 7.5% 2014	229	0.14
€ 500,000	HeidelbergCement 8.5% 2019	461	0.28
\$400,000	Interpublic Companies 6.25% 2014	228	0.14
£321,000	Virgin Media Finance 8.875% 2019	321	0.20
\$350,000	Virgin Media Finance 9.5% 2016	225	0.14
'CCC' credit rated bonds		0.76	0.00
€ 500,000	BCM Ireland Finance FRN 2016	331	0.20
€1,100,000	Huntsman International 6.875% 2013	903	0.56
Bonds with no credit rating		0.90	0.00
£450,000	BUPA Finance 7.5% 2016	485	0.30
£490,000	John Lewis 8.375% 2019	582	0.36
£400,000	TUI Travel 6% Cnv. 2014	387	0.24
Portfolio of investments (notes 1b & 1c)	159,185	98.35	91.40
Net other assets	2,674	1.65	8.60
Net assets attributable to unitholders	161,859	100.00	100.00

[a] The comparative sector weightings have been re-analysed to reflect changes to sector classifications.

Asset class split

	Value £'000	30.11.09 %	30.11.08 %
Bonds	12,988	8.03	0.18
Equities	146,197	90.32	91.22
Net other assets	2,674	1.65	8.60
Net assets attributable to unitholders	161,859	100.00	100.00

Financial statements

for the year ended 30 November 2009

Statement of total return

	Note	2009		2008	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		28,892		(62,417)
Revenue	4	5,744		5,252	
Expenses	5	(117)		(155)	
Net revenue before taxation		5,627		5,097	
Taxation	6	(587)		(161)	
Net revenue after taxation			5,040		4,936
Total return before distributions			33,932		(57,481)
Finance costs: Distributions	12		(5,298)		(4,893)
Change in net assets attributable to unitholders from investment activities			28,634		(62,374)

Statement of change in unitholders' net assets

	2009		2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		129,141		193,845
Amounts received on issue of units	15,495		9,560	
Amounts paid on cancellation of units	(11,484)		(11,938)	
		4,011		(2,378)
Stamp Duty Reserve Tax (SDRT)		(17)		(20)
Change in net assets attributable to unitholders from investment activities (see above)		28,634		(62,374)
Retained distributions on Accumulation units		90		68
Closing net assets attributable to unitholders		161,859		129,141

Financial statements

Balance sheet

	as at 30 November 2009		as at 30 November 2008	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		159,185		118,031
Debtors				
Amounts receivable on issues	49		0	
Bank interest receivable	0		32	
Currency deals outstanding	123		1,204	
Debt security interest receivable	230		19	
Deferred taxation	0		234	
Dividends receivable	718		763	
Overseas tax recoverable	152		91	
Sales awaiting settlement	123		229	
Tax recoverable	0		3	
		1,395		2,575
Cash and bank balances	4,807		13,711	
		4,807		13,711
Total other assets		6,202		16,286
Total assets		165,387		134,317
Liabilities				
Creditors				
Amounts payable on cancellations	(620)		(168)	
Corporation tax payable	(148)		0	
Currency deals outstanding	(123)		(1,203)	
Expenses payable	(17)		(16)	
Net distributions payable on Income units	(2,459)		(2,335)	
Purchases awaiting settlement	(160)		(1,453)	
SDRT payable	(1)		(1)	
Total other liabilities		(3,528)		(5,176)
Net assets attributable to unitholders		161,859		129,141

Financial statements

Notes to the financial statements

1 Accounting policies

a) **Basis of accounting**

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

b) **Basis of valuation of investments**

All investments are valued at their fair value as at 12 noon on 30 November 2009, being the last business day of the financial year. The fair value of non-derivative securities is bid price, excluding any accrued interest. Unquoted investments are shown at the Manager's valuation.

c) **Investment gains and losses**

Gains and losses, including exchange differences, on the realisation of investments and increases and decreases in the valuation of investments held at the balance sheet date, including unrealised exchange differences, are treated as capital.

d) **Exchange rates**

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 rate of exchange ruling as at 12 noon on 30 November 2009, being the last business day of the financial year.

e) **Dividend and interest income**

Dividends from quoted equity and non-equity shares are recognised net of attributable tax credits when the security is quoted ex-dividend. Overseas dividends received after the deduction of withholding tax are shown gross of taxation, with the taxation consequences shown within the taxation charge. Dividends are recognised as either revenue or capital depending upon the nature and circumstances of the dividend receivable.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment and is treated as revenue. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life based on estimated future cashflows. Any adjustments resulting from changes in cashflow estimates are treated as capital.

Bank interest is recognised on an accruals basis and treated as revenue.

Financial statements

Notes to the financial statements (continued)

1 Accounting policies (continued)

f) **Stock dividends**

The ordinary element of stocks received in lieu of cash dividends is recognised as revenue of the trust. Any enhancement above the cash dividend is treated as capital.

g) **Expenses**

For accounting purposes, all expenses (other than those relating to the purchase and sale of investments and Stamp Duty Reserve Tax) are charged against revenue for the year on an accruals basis.

h) **Apportionment of income and expenses to multiple unit classes**

With the exception of the Manager's periodic charge, which are directly attributable to individual unit classes, all income and expenses are apportioned to the trust's unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the income or expenses are recognised.

i) **Taxation**

The rate of corporation tax for the trust is 20%, with relief for double taxation taken where appropriate. The tax accounting treatment follows the principal amounts involved.

j) **Deferred taxation**

Deferred tax is provided for in respect of timing differences that have originated but not reversed by the balance sheet date, with the exception of those regarded as permanent differences. Any liability to deferred tax is provided at the average rate of tax expected to apply. A deferred tax asset is recognised to the extent that it is expected to be utilised, based on the likelihood of taxable profits arising in the next twelve month period from which the future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

k) **Distribution policy**

The policy of the trust is to distribute all available income, excluding any items treated as capital in accordance with the above policies and after deduction of expenses properly chargeable against revenue. Stock dividends do not form part of the distributable income.

Income attributable to Accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of income. All remaining income is distributed in accordance with the Collective Investment Schemes sourcebook.

Distributions which have remained unclaimed by unitholders for over six years are credited to the capital property of the trust.

Financial statements

Notes to the financial statements (continued)

2 Risk management policy

In pursuing the trust's investment objective, as set out on page 1, the Manager accepts market price risk, interest rate risk and currency risk in relation to the investment portfolio.

Generally, the Manager will not seek to hedge these exposures since it believes that, in the long term, such hedging would be detrimental to total return. Accordingly, though permitted by the Prospectus, the trust has not used derivative instruments.

The trust holds overseas investments and exchange rate fluctuations can affect both capital and revenue values. Short-term exposures to foreign currencies are generally covered by short dated currency contracts. Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

Since the objective of the trust is to deliver returns over the long term, transactions with the sole objective of realising short-term returns are generally not undertaken.

The trust's assets comprise securities that can be readily realised to meet obligations that may arise on the redemption of units. It is the Manager's policy that the trust should normally be close to fully invested but this is subject to the need to retain liquidity for the purpose of effecting the redemption of units, and the efficient management of the trust in accordance with its objective. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of units or the realisation of investments. Higher liquidity levels may also arise when the trust's asset allocation policy is changed.

These policies have been consistently applied since the beginning of the financial year (30.11.08: same).

Financial statements

Notes to the financial statements (continued)

3 Net capital gains /(losses)

	2009 £'000	2008 £'000
Non-derivative securities	28,442	(62,569)
Currency gains / (losses)	134	(149)
Special dividends taken to capital	340	314
Transaction charges	(11)	(13)
Tax on overseas investments	(13)	0
Net capital gains / (losses)	28,892	(62,417)

4 Revenue

	2009 £'000	2008 £'000
Bank interest	35	265
Interest on debt securities	822	49
Overseas dividends	1,827	2,121
Property income dividends	0	17
UK dividends	3,060	2,800
Total revenue	5,744	5,252

5 Expenses

	2009 £'000	2008 £'000
Payable to the Manager or associate		
Manager's periodic charge	79	106
Payable to the Trustee or associate		
Trustee's fee (including VAT)	12	15
Distribution fees	1	0
	13	15
Other expenses		
Audit fee (including VAT)	10	10
Dividend charges	3	1
Regulatory fees	1	0
Safe custody charge	11	23
	25	34
Total expenses	117	155

Financial statements

Notes to the financial statements (continued)

6 Taxation

	2009 £'000	2008 £'000
a) Analysis of charge in the year		
Corporation tax	470	91
Overseas tax	186	225
Overseas tax recoverable: exchange rate movements	19	6
Double taxation relief	(322)	(91)
	<hr/>	<hr/>
Current tax charge (note 6b)	353	231
Deferred tax (note 6c)	234	(70)
Total taxation	587	161

b) Factors affecting taxation charge for the year

Net revenue before taxation	5,627	5,097
	<hr/>	<hr/>
Corporation tax at 20%	1,125	1,019
Effects of:		
Tax on special dividends taken to capital	24	30
UK dividends ^[a]	(612)	(560)
Overseas dividends not taxable	(115)	0
Prior period expenses utilised	0	(374)
Income taxable in different periods	48	(24)
Overseas tax	186	225
Overseas tax recoverable: exchange rate movements	19	6
Double taxation relief	(322)	(91)
Current tax charge (note 6a)	353	231

[a] As an authorised unit trust this item is not subject to corporation tax.

c) Provision for deferred taxation

Provision at the start of the year	(234)	(164)
Deferred tax in profit and loss account (note 6a)	234	(70)
Provision at the end of the year	0	(234)

Following changes in the rules relating to foreign taxes in the Finance Act 2009, there is now no recognised deferred tax asset (30.11.08: £234,000) and no unrecognised deferred tax asset (30.11.08: £624,000) arising from unrelieved foreign taxes.

Financial statements

Notes to the financial statements (continued)

7 Contingent liabilities and outstanding commitments

Rights issues

At the balance sheet date, the trust had a contingent liability of £65,766 in respect of 2,772 K&S nil paid shares resulting from a rights issue, whereby four nil paid shares were issued for every twenty five ordinary shares held. The nil paid shares may be exercised on 10 December 2009 at €26.00 per share.

As at 30 November 2008 the trust had outstanding rights issues totalling £606,404.

Warrants

At the balance sheet date, the trust had a commitment to warrants outstanding totalling £160,000 (30.11.08: £160,000) in respect of 133,113 London Asia Chinese Private Equity whereby, until 31 March 2011, one ordinary share may be acquired for £1.20 in respect of each warrant held.

8 Related parties

Prudential Unit Trusts Limited, as Manager and The Royal Bank of Scotland plc, as Trustee, are regarded as controlling parties by virtue of having the ability to act in concert in respect of the operations of the trust. Prudential Unit Trusts Limited acts as principal on all the transactions of units in the trust except with in-specie transactions, where Prudential Unit Trusts Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the statement of change in unitholders' net assets and note 12. Amounts due to / from Prudential Unit Trusts Limited in respect of unit transactions at the year end are disclosed in the balance sheet where applicable.

Amounts paid to Prudential Unit Trusts Limited in respect of the Manager's periodic charge and amounts paid to The Royal Bank of Scotland plc in respect of the Trustee's fee are disclosed in note 5. Amounts due at the year end are disclosed in the balance sheet where applicable.

During the year, there were transactions in shares in related parties of Prudential Unit Trusts Limited with a total value of £1,266,000 (2008: £nil), and transactions in shares in related parties of The Royal Bank of Scotland plc with a total value of £51,000 (2008: £nil).

Financial statements

Notes to the financial statements (continued)

8 Related parties (continued)

At the balance sheet date, the trust held shares in related parties of Prudential Unit Trusts Limited with a value of £2,029,000 (30.11.08: £1,421,000).

At the balance sheet date, material unitholders from within Prudential plc, of which Prudential Unit Trusts Limited is a wholly owned subsidiary, have holdings totalling 97.06% (30.11.08: 96.75%) of the trust's units.

9 Financial instruments

The policies applied in the management of financial instruments are set out in note 2.

Short-term debtors and creditors have been included in respect of the currency exposure only when this is applicable (30.11.08: same).

Currency exposure

The currency profile of the trust's financial instruments at the balance sheet date was:

	Portfolio of investments		Net other assets		Total	
	as at 30.11.09 £'000	as at 30.11.08 £'000	as at 30.11.09 £'000	as at 30.11.08 £'000	as at 30.11.09 £'000	as at 30.11.08 £'000
Australian dollar	4,497	2,746	0	0	4,497	2,746
Brazilian real	2,309	1,191	0	0	2,309	1,191
Canadian dollar	1,323	669	0	0	1,323	669
Danish krone	603	0	0	0	603	0
Euro	13,380	7,181	121	19	13,501	7,200
Hong Kong dollar	2,346	3,541	0	0	2,346	3,541
Israeli sheqel	0	509	0	16	0	525
Japanese yen	3,870	6,596	29	55	3,899	6,651
Malaysian ringgit	0	733	0	0	0	733
Norwegian krone	853	1,135	0	0	853	1,135
Singapore dollar	2,419	1,338	13	19	2,432	1,357
South African rand	1,473	637	0	0	1,473	637
South Korean won	1,093	1,568	0	0	1,093	1,568
Swiss franc	6,643	8,024	105	77	6,748	8,101
Thai baht	1,801	1,316	0	0	1,801	1,316
US dollar	22,041	20,175	87	117	22,128	20,292
	64,651	57,359	355	303	65,006	57,662
Sterling	94,534	60,672	2,319	10,807	96,853	71,479
Total	159,185	118,031	2,674	11,110	161,859	129,141

Financial statements

Notes to the financial statements (continued)

9 Financial instruments (continued)

Interest rate profile

	Floating rate financial assets		Fixed rate financial assets		Total	
	as at 30.11.09 £'000	as at 30.11.08 £'000	as at 30.11.09 £'000	as at 30.11.08 £'000	as at 30.11.09 £'000	as at 30.11.08 £'000
Euro	0	-	5,491	-	5,491	-
Sterling	4,807	13,711	6,676	231	11,483	13,942
US dollar	0	-	821	-	821	-
Total	4,807	13,711	12,988	231	17,795	13,942

	Weighted average gross interest rate of fixed interest-bearing assets		Weighted average period for which interest rates are fixed ^[a]	
	as at 30.11.09 %	as at 30.11.08 %	as at 30.11.09 years	as at 30.11.08 years
Euro	9.32	-	3.86	-
Sterling	5.16	8.34	14.59	8.02
US dollar	8.26	-	3.63	-

[a] Assuming the earliest maturity date for those assets with variable maturity dates.

Floating rate interest-bearing assets at the balance sheet date consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates or the international equivalent (30.11.08: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (30.11.08: same).

Financial statements

Notes to the financial statements (continued)

10 Portfolio transaction costs

	2009 £'000	2008 £'000
a) Purchases		
Purchases excluding transaction costs	95,653	65,013
Commissions	64	95
Taxes	131	72
Total transaction costs	195	167
Total purchases including transaction costs	95,848	65,180
b) Sales		
Sales excluding transaction costs	83,296	75,680
Commissions	(70)	(338)
Taxes	(9)	(16)
Total transaction costs	(79)	(354)
Total sales net of transaction costs	83,217	75,326

11 Unitholder funds

The trust contains Sterling Class 'A' (Accumulation) units and Sterling Class 'C' (Income) units.

The charging structure for each unit class, as at 30 November 2009, is set out in the following table (30.11.08: same):

	Class 'A' %	Class 'C' %
Initial charge:	4.75	n/a
Redemption charge: ^[a]	n/a	n/a
Manager's annual remuneration:	1.70	nil

[a] The Manager may, at not less than 60 days notice to unitholders in writing, make a charge on the redemption of units. At present no redemption charge is levied.

With the exception of the Manager's periodic charge and registration fees, which are directly attributable to individual unit classes, all income and expenses are apportioned to the trust's unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the income or expenses are recognised.

Financial statements

Notes to the financial statements (continued)

11 Unitholder funds (continued)

The net asset values for each unit class are set out in the following table:

	30.11.09		30.11.08	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
Sterling				
Class 'A'	n/a	4,988	n/a	4,321
Class 'C'	156,871	n/a	124,820	n/a

The net asset value per unit and the number of units are given in the comparative table on page 7. The distribution per unit is given in the distribution table on page 27. Each unit class has the same rights on winding-up.

12 Finance costs

	2009 £'000	2008 £'000
Income units (sterling)		
Class 'C' - Interim	2,730	2,481
- Final	2,459	2,335
Accumulation units (sterling)		
Class 'A' - Interim	53	34
- Final	37	34
Finance costs: Dividend distributions	5,279	4,884
Income deducted on cancellation of units	97	66
Income received on issue of units	(78)	(57)
Finance costs: Distributions	5,298	4,893
Net revenue per statement of total return	5,040	4,936
Deferred tax asset written off	234	0
Tax on special dividends taken to capital	24	30
Deferred tax asset not distributed	0	(70)
Undistributed income brought forward	6	3
Undistributed income carried forward	(6)	(6)
Finance costs: Distributions	5,298	4,893

Financial statements

Distribution tables

Dividend distributions on Income units	Net income	Equal- isation	Distribution payable / paid	
			2009	2008
Sterling	p	p	p	p
Class 'C'- Interim				
Group 1:	2.2830	-	2.2830	2.0980
Group 2:	1.8675	0.4155	2.2830	2.0980
- Final				
Group 1:	2.0250	-	2.0250	1.9870
Group 2:	1.2920	0.7330	2.0250	1.9870

Dividend distributions on Accumulation units	Net income	Equal- isation	Amount reinvested	
			2009	2008
Sterling	p	p	p	p
Class 'A'- Interim				
Group 1:	1.3700	-	1.3700	0.7930
Group 2:	0.8380	0.5320	1.3700	0.7930
- Final				
Group 1:	1.0210	-	1.0210	0.8510
Group 2:	0.3809	0.6401	1.0210	0.8510

Interim period 01.12.08 – 31.05.09

Final period 01.06.09 – 30.11.09

Group 1: Units purchased prior to a distribution period.

Group 2: Units purchased during a distribution period.

Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital. Being capital it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

EU savings directive

as at 30 November 2009

The percentage of the Prudential (Newton) Managed Trust held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is 9.68%.

Statement of the Manager's responsibilities

The Collective Investment Schemes sourcebook (COLL), as issued (and amended) by the Financial Services Authority (FSA) requires the Manager to prepare the annual report and financial statements for each financial year which give a true and fair view of the financial affairs of the Scheme and of its net revenue and net gains for the year. In preparing the financial statements the Manager is required to:

- a) Select suitable accounting policies and then apply them consistently.
- b) Comply with requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008.
- c) Follow generally accepted accounting principles and applicable accounting standards.
- d) Keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.
- e) Make judgments and estimates that are reasonable and prudent.
- f) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that this Scheme will continue in operation.

The Manager is responsible for the management of the Scheme in accordance with its Trust Deed, Prospectus and COLL.

The Manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Trustee's responsibilities

In respect of the scheme and report of the trustee to the unitholders of the Prudential (Newton) Managed Trust for the year ended 30 November 2009

The Trustee is responsible for the safekeeping of all the property of the Scheme (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Scheme is managed in accordance with the Financial Services Authority's Collective Investment Schemes sourcebook (COLL), as amended, the Scheme's Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the Scheme; the application of revenue of the Scheme; and the investment and borrowing powers of the Scheme.

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, in all material respects, the Manager:

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Scheme's units and the application of the Scheme's revenue in accordance with the Trust Deed, Prospectus and COLL.
- ii) has observed the investment and borrowing powers and restrictions applicable to the Scheme.

The Royal Bank of Scotland plc
Trustee
Edinburgh
13 January 2010

Directors' statement

This report has been prepared in accordance with the requirements of the Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Services Authority.

G W MacDowall
J R Talbot
Directors
Prudential Unit Trusts Limited
13 January 2010

Independent auditors' report

To the unitholders of the Prudential (Newton) Managed Trust ('the trust')

We have audited the financial statements of the Prudential (Newton) Managed Trust for the year ended 30 November 2009 which comprise the statement of total return, the statement of change in unitholders' net assets, the balance sheet, the related notes and the distribution tables. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Manager and Auditors

The Manager's responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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) and the requirements of the Collective Investment Schemes sourcebook. This report, including the opinion has been prepared for and only for the unitholders of the trust as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 for Authorised Funds issued by the IMA in November 2008, the Collective Investment Schemes sourcebook and the Trust Deed. We also report to you whether, in our opinion, proper accounting records for the trust have not been kept or whether the financial statements are not in agreement with those records, and whether the information given in the Manager's Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Manager's Report and the other items set out on the contents page. 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 at 30 November 2009 and of the net revenue and the net gains of the property of the trust for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008, the Collective Investment Schemes sourcebook and the Trust Deed.

We have obtained all the information and explanations we consider necessary for the purposes of the audit.

In our opinion the information given in the Manager's Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London
13 January 2010

The financial statements are published at www.pru.co.uk/managersreports, which is a website maintained by Prudential UK ('Prudential'). The maintenance and integrity of the website maintained by Prudential or any of its subsidiaries is, so far as it relates to the trust, the responsibility of Prudential. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Notes to unitholders

Mr Trevor Cheal was appointed as a Director of Prudential Unit Trusts Limited on 4 February 2009.

The annual management charge is paid fortnightly in arrears from the Trust's Scheme Property. It was previously paid fortnightly in advance from the Trust's Scheme Property.

General information

If you would like further details about any aspects of your investment please contact Customer Relations.

Prudential Unit Trusts Limited,
PO Box 9022, Chelmsford, Essex CM99 2WA

Please remember to quote your name, customer number, and sign any written communication to Prudential. Failure to provide this may affect your ability to transact with us.

Alternatively, if you are unsure whether your investment remains suitable, you should seek financial advice.

Prudential Unit Trust prices can be obtained from our website at www.pru.co.uk or by telephoning Customer Relations on 0845 783 5500.

For security purposes and to improve the quality of our service, we may record and monitor telephone calls. You will require your customer number. Failure to provide this will affect your ability to transact with us.

Copies of the Prospectus are available on request free of charge.

Prudential Unit Trusts Limited is a member of the Investment Management Association.

You are classified as a 'Retail Client' as defined in the FSA Handbook unless we notify you in writing to the contrary.

Category of Trust

The Prudential (Newton) Managed Trust is an Authorised Unit Trust Scheme within the meaning of the Financial Services & Markets Act 2000 and has been established as a 'UCITS' Scheme (Undertakings for Collective Investment in Transferable Securities).

Manager

Prudential Unit Trusts Limited,
Laurence Pountney Hill, London EC4R 0HH
Telephone: 0845 783 5500
(Authorised and regulated by the Financial Services Authority)

Directors

T Cheal
C I Jackson
M Lewis
G W MacDowall
L U Midwinter
L J Mumford
W J Nott
L J Scrine
J R Talbot

Secretary

M&G Management Services Limited

Investment adviser

Newton Investment Management Limited,
Mellon Financial Centre,
160 Queen Victoria Street, London EC4V 4LA
(Authorised and regulated by the Financial Services Authority)

Registrar

International Financial Data Services (UK) Limited,
IFDS House, St. Nicholas Lane, Basildon, Essex SS15 5FS
(Authorised and regulated by the Financial Services Authority)

Trustee

The Royal Bank of Scotland plc,
Trustee & Depositary Services, The Broadstone,
50 South Gyle Crescent, Edinburgh EH12 9UZ
(Authorised and regulated by the Financial Services Authority)

Independent auditors

Each trust has its financial statements audited by an independent firm of auditors. The audited financial statements are published every year within the Manager's Annual Report.

PricewaterhouseCoopers LLP,
Hay's Galleria, 1 Hay's Lane, London SE1 2RD



www.pru.co.uk

'Prudential' is a trading name of Prudential Unit Trusts Limited and Prudential Personal Equity Plans Limited. This name is also used by other companies within the Prudential Group, which between them provide a range of financial products including life assurance, pensions, savings and investment products. Prudential Unit Trusts Limited and Prudential Personal Equity Plans Limited are registered in England and Wales under numbers 1796126 and 2059989 respectively. Registered Office at Laurence Pountney Hill, London EC4R 0HH. Authorised and regulated by the Financial Services Authority.