

# Prudential Managed Trust

Manager's annual report for  
the year ended 21 February 2011  
(audited)

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<sup>+</sup> Collectively, these comprise the Manager's Report.

# Trust objective and policy

The Trust aims to achieve long-term capital growth. The investments of the Trust will be restricted to investment in schemes managed by Prudential Unit Trusts Limited or another manager within the Prudential Group.

## Manager's comments

For the most part, investor confidence was positive throughout the 12-month review period, reflecting greater optimism about prospects for the global economic recovery on the back of better-than-expected earnings from many companies. The mood was more cautious between April and August as the government debt crisis in a number of peripheral European countries again troubled investors. However, sentiment subsequently improved due to increasing expectations of an additional large-scale asset purchase programme from the US Federal Reserve, which was duly announced in November.

In this environment, most equity markets produced healthy returns over the 12 months, with performance led by Asia Pacific (ex Japan) and the US, while the UK and Europe trailed the global average, all in sterling terms. In terms of fixed income, bonds issued by companies (corporate bonds) appealed to investors at the beginning of the period, but they increasingly came under pressure due to concern over Ireland's financial health and banking system as well as the government debt problems in the eurozone. In addition, as risk appetite among investors improved, they flocked to the potentially greater returns offered by equities.

Against this backdrop, the Prudential Managed Trust produced 14.2%\* in terms of total return (capital performance with net income reinvested) during the 12-month period under review. This compares with a total return of 13.4%\* from the average fund in the peer group, the IMA Balanced Managed sector, over the same period.

The trust's relative performance was supported by asset allocation decisions taken by the fund manager over the review period. He reduced his position in corporate bonds in the autumn of 2010 because of their low yield. This diminished exposure was helpful for performance as the asset class subsequently fell out of favour with many investors, as described earlier. Meanwhile, the fund manager added to the position in equities in the second half of the review period, enabling him to benefit from the rally in global stockmarkets from this time.

## Manager's comments (continued)

In terms of the underlying holdings in the portfolio, performance was boosted by holdings in the M&G Recovery Fund and the Prudential Small Companies Trust, which both produced returns that were ahead of their respective benchmarks. The fund manager of the M&G Recovery Fund aims to seek out companies that are out of favour with investors but which, in his opinion, have the ability to turn themselves around. Meanwhile, the Prudential Small Companies Trust focuses on good quality small companies and such firms appealed to investors during a period when they had a healthy appetite for risk.

Less positively, the holdings in the Prudential Pacific Markets Trust and the Prudential European Trust held back returns, with both trusts behind their respective indices. The Prudential Pacific Markets Trust was hurt by very weak performance in a number of individual holdings, including China Zhongwang, a maker of aluminium goods, and Korea Electric Power. With regard to the Prudential European Trust, an emphasis towards larger companies proved detrimental at a time when smaller and medium-sized companies were more attractive to investors.

Turning to transactions during the review period, the most significant changes relate to the asset allocation decisions taken by the fund manager, as described earlier. More specifically, the largest sale involved the Prudential Corporate Bond Trust, which was cut back to reduce the trust's exposure to corporate bonds. He did, however, subsequently top up the holding, although this should be seen in terms of maintaining the overall positioning of the trust rather than representing an active decision.

As previously mentioned, the fund manager added to the position in equities and this was largely achieved by increasing the holding in the Prudential North American Trust.

Other investment activity, which generally relates to the day-to-day management of the portfolio, involved the Prudential Pacific Markets Trust, the Prudential UK Growth Trust, the Prudential European Trust and the Prudential Small Companies Trust.

The fund manager's overall feeling is one of cautious optimism. He feels that, while the current recovery may be precarious, it is probably sustainable over the medium to longer term. However, he is not complacent and there are a number of potential issues that could derail the ongoing recovery. For example, overall unemployment remains high in a range of countries and government debt levels are significant in many economies, with severe austerity

## Manager's comments (continued)

measures being implemented and no clear consensus on the likelihood of their success. There is also much uncertainty about the implications of the earthquake, tsunami and nuclear explosion tragedy in Japan.

Despite these apparent risks, there are a number of positive factors. Asian and other developing economies continue to grow at rates that are far higher than those in most western nations, while many companies have repaired their balance sheets during the past 18 months. Both of these examples bode well for the global economy and the fund manager is encouraged by the longer term picture.

\* Source: Morningstar, Inc.

Basis: Bid to bid with net income reinvested to 21 February 2011 (the nearest measurable period).

Please note that the views expressed in this Report should not be taken as a recommendation or advice as to how the Prudential 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

## Distribution dates and trust facts

Distribution type	xd	payment
Final	22.02.12	21.04.12

  

	Final distribution Acc 22.02.11 <sup>[a]</sup>	Total Expense Ratio <sup>[b]</sup> Acc 21.02.11	Acc 21.02.10
Sterling	p	%	%
Class 'A'	1.3400	1.65	1.64

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

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

## Trust performance

Performance of unit class.

	Net asset value per unit as at 21.02.11	Net asset value per unit as at 21.02.10	Net asset value % change
Sterling	p	p	%
Class 'A'	92.43	80.89	+14.27

# Trust statistics

## Prices

	Calendar year	Accumulation units	
		Highest	Lowest
Sterling Class 'A'	2006	p 78.25	p 68.83
	2007	84.95	76.90
	2008	82.48	55.64
	2009	82.00	55.30
	2010	91.56	77.57
	2011 <sup>[a]</sup>	92.57	90.89

[a] Up to 22 February 2011.

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.

## Income

### Dividend income per unit

	Calendar year	Reinvested
		p
Sterling (net) Class 'A'	2006	0.7874
	2007	1.0585
	2008	1.2910
	2009	1.8670
	2010	1.4230
	2011 <sup>[a]</sup>	1.3400

[a] Up to final: ex-distribution date 22 February 2011.

# Trust statistics

## Net assets

	Year ended	Value per unit Acc	Number of units Acc
Sterling Class 'A'	Feb 2009	58.78	355,453,425
	Feb 2010	80.89	336,338,425
	Feb 2011	92.43	306,971,425

## Total net asset value of trust

Year ended	£
Feb 2009	208,939,000
Feb 2010	272,066,000
Feb 2011	283,748,000

# Portfolio

## Portfolio statement

as at 21 February 2011

Holding <sup>[a]</sup>	Value £'000	21.02.11 %	21.02.10 %
<b>Asia</b>		<b>19.38</b>	<b>17.52</b>
4,691,637	Prudential Japanese Trust Sterling Class 'A' (Income) units	7,213	2.54
18,219,456	Prudential Pacific Markets Trust	47,790	16.84
<b>Continental Europe</b>		<b>14.03</b>	<b>13.38</b>
7,155,879	Prudential European Trust Sterling Class 'A' (Income) units	39,806	14.03
<b>North America</b>		<b>12.27</b>	<b>10.71</b>
9,865,094	Prudential North American Trust Sterling Class 'A' (Income) units	34,830	12.27
<b>United Kingdom</b>		<b>48.48</b>	<b>53.63</b>
8,728,221	M&G Income Fund Sterling Class 'A' (Accumulation) shares	27,066	9.54
8,771,351	M&G Recovery Fund Sterling Class 'C' (Accumulation) shares	25,546	9.00
40,290,199	Prudential Corporate Bond Trust	23,255	8.20
28,861,248	Prudential Distribution Trust	41,032	14.46
1,077,486	Prudential Small Companies Trust	3,437	1.21
7,927,592	Prudential UK Growth Trust	17,212	6.07
<b>Portfolio of investments (note 1b)</b>		<b>267,187</b>	<b>94.16</b>
<b>Net other assets</b>		<b>16,561</b>	<b>5.84</b>
<b>Total net assets</b>		<b>283,748</b>	<b>100.00</b>

[a] All holdings are in Sterling Class 'C' (Income) units unless otherwise stated.

# Financial statements

for the year ended 21 February 2011

## Statement of total return

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	3		32,754		71,977
Revenue	4	8,345		8,903	
Expenses	5	(4,051)		(3,681)	
Net revenue before taxation		4,294		5,222	
Taxation	6	(3)		(301)	
Net revenue after taxation			4,291		4,921
<b>Total return before distributions</b>			<b>37,045</b>		<b>76,898</b>
Distributions	12		(4,292)		(4,925)
<b>Change in unitholders' funds from investment activities</b>			<b>32,753</b>		<b>71,973</b>

## Statement of change in unitholders' funds

	2011		2010	
	£'000	£'000	£'000	£'000
<b>Opening net assets</b>		<b>272,066</b>		<b>208,939</b>
Amounts received on issue of units	3,037		3,908	
Amounts paid on cancellation of units	(28,192)		(17,507)	
		(25,155)		(13,599)
Stamp Duty Reserve Tax (SDRT)		(29)		(33)
Change in unitholders' funds from investment activities (see above)		32,753		71,973
Retained distributions on Accumulation units		4,113		4,786
<b>Closing net assets</b>		<b>283,748</b>		<b>272,066</b>

# Financial statements

## Balance sheet

	as at		as at	
	21 February 2011	21 February 2011	21 February 2010	21 February 2010
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		267,187		259,103
<b>Debtors</b>				
Administration fee rebates due	3		2	
Amounts receivable on issues	0		44	
Distributions receivable	769		1,022	
Sales awaiting settlement	81,906		0	
Tax recoverable	508		822	
		<u>83,186</u>		<u>1,890</u>
Cash and bank balances				
Cash held as bank balances	16		40	
Cash held on deposit	16,023		11,612	
		<u>16,039</u>		<u>11,652</u>
<b>Total other assets</b>		<b>99,225</b>		<b>13,542</b>
<b>Total assets</b>		<b>366,412</b>		<b>272,645</b>
<b>Liabilities</b>				
<b>Creditors</b>				
Amounts payable on cancellations	(580)		(291)	
Corporation tax payable	0		(61)	
Deferred taxation	0		(47)	
Expenses payable	(178)		(179)	
Purchases awaiting settlement	(81,906)		0	
SDRT payable	0		(1)	
		<u>(82,664)</u>		<u>(579)</u>
<b>Total liabilities</b>		<b>(82,664)</b>		<b>(579)</b>
<b>Net assets</b>		<b>283,748</b>		<b>272,066</b>
<b>Unitholders' funds</b>		<b>283,748</b>		<b>272,066</b>

# 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 (the IMA SORP 2010) in October 2010.

During the year, the trust has adopted the IMA SORP 2010. There are no presentational changes to the 2010 comparatives.

#### b ) **Basis of valuation of investments**

All investments are valued at their fair value as at 12 noon on 21 February 2011, being the last business day of the financial year. The fair value of investments managed by the Manager, or an associate, is their single price.

#### c ) **Investment gains and losses**

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

#### d ) **Dividend and interest income**

Distributions from collective investment schemes are recognised net of attributable tax credits when the security is quoted ex-dividend.

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

#### e ) **Equalisation**

Income received from investments in authorised collective investment schemes, which are purchased during the financial year, will include an element of equalisation which represents the average amount of income included in the price paid for units / shares. The equalisation is treated as a return of capital for taxation purposes and is not included in the distributable income.

# Financial statements

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### f ) 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.

#### g ) 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.

#### h ) 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.

#### i ) 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.

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 more than 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.

The capital value of equity investments within the trust is influenced by the performance of the stockmarkets the trust is invested in.

Generally, the Manager will not seek to hedge exposure to market price risk since he believes that, in the long term, such hedging would be detrimental to total return.

The capital and income value of the trust's holding of collective investment schemes can be significantly affected by currency translation movements, where the assets are denominated in currencies other than sterling, which is the trust's functional currency. The fund manager reviews the underlying risk when considering asset allocation. Currency risk resulting from investing in stocks listed outside the UK may be hedged for the purposes of efficient portfolio management.

The capital value of fixed interest investments within the trust may be affected by interest rate fluctuations. When interest rates rise the capital value is likely to fall and vice versa. The effect is more apparent where portfolios are invested in long dated securities, such as this trust.

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.

The objective of the trust is to invest in a spread of assets, which from time to time could include cash. Therefore, the Manager may deliberately hold cash such that the trust may not be considered close to fully invested.

These policies have been consistently applied since the beginning of the financial year (21.02.10: same).

# Financial statements

## Notes to the financial statements (continued)

### 3 Net capital gains

	2011 £'000	2010 £'000
Non-derivative securities	32,759	71,982
Transaction charges	(5)	(5)
<b>Net capital gains</b>	<b>32,754</b>	<b>71,977</b>

### 4 Revenue

	2011 £'000	2010 £'000
Administration fee rebate	74	66
Annual payments	962	3,034
Bank interest	1	0
Deposit interest	78	45
HM Revenue & Customs interest	2	0
Interest distributions	1,592	2,038
UK dividends	5,636	3,720
<b>Total revenue</b>	<b>8,345</b>	<b>8,903</b>

### 5 Expenses

	2011 £'000	2010 £'000
<b>Payable to the Manager or associate</b>		
Manager's periodic charge <sup>[a]</sup>	3,760	3,403
<b>Payable to the Trustee or associate</b>		
Trustee's fee (including VAT)	21	19
<b>Other expenses</b>		
Audit fee (including VAT)	7	7
Registration fees	261	250
Safe custody charge	2	2
	270	259
<b>Total expenses</b>	<b>4,051</b>	<b>3,681</b>

<sup>[a]</sup> The 1.5% Manager's periodic charge has been reduced to the extent that an equivalent charge has been borne by the underlying Collective Investment Schemes.

# Financial statements

## Notes to the financial statements (continued)

### 6 Taxation

	2011 £'000	2010 £'000
<b>a ) Analysis of charge in the year</b>		
Corporation tax	0	406
Tax on annual payments	50	303
Relief for tax on annual payments	0	(345)
	<hr/>	<hr/>
Current tax charge (note 6b)	50	364
Deferred tax (note 6c)	(47)	(63)
<b>Total taxation</b>	<b>(3)</b>	<b>301</b>

### b ) Factors affecting taxation charge for the year

Net revenue before taxation	4,294	5,222
	<hr/>	<hr/>
Corporation tax at 20%	859	1,044
Effects of:		
UK dividends [a]	(1,127)	(744)
Current period expenses not utilised	244	0
Revenue taxable in different periods	24	106
Tax on annual payments	50	303
Relief for tax on annual payments	0	(345)
<b>Current tax charge (note 6a)</b>	<b>50</b>	<b>364</b>

[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	47	110
Deferred tax in profit and loss account (note 6a)	(47)	(63)
<b>Provision at the end of the year</b>	<b>0</b>	<b>47</b>

The trust has not recognised a deferred tax asset of £213,000 (21.02.10: £nil) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future. Following the changes in the rules relating to foreign taxes in the Finance Act 2009, there is now no unrecognised deferred tax asset arising from unrelieved foreign taxes.

# Financial statements

## Notes to the financial statements (continued)

### 7 Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (21.02.10: same).

### 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' funds 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 units / shares in related parties of Prudential Unit Trusts Limited with a total value of £222,955,000 (21.02.10: £95,252,000).

At the balance sheet date, the trust held units / shares in related parties of Prudential Unit Trusts Limited with a value of £267,187,000 (21.02.10: £259,103,000).

There were no material unitholders of the trust's units from within Prudential plc, of which Prudential Unit Trusts Limited is a wholly owned subsidiary (21.02.10: same).

# Financial statements

## Notes to the financial statements (continued)

### 9 Financial instruments

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

Short-term debtors and creditors have only been included in respect of the currency exposure when this is applicable (21.02.10: same).

#### Currency exposure

There was no direct foreign currency exposure within the trust at the balance sheet date. However, there was significant foreign currency exposure within the trust's holdings of collective investment schemes since their assets are denominated in currencies other than sterling, with the effect that their balance sheet and total returns can be affected by exchange rate fluctuations (21.02.10: same).

#### Interest rate profile

The interest-bearing financial assets of the trust consist of bank balances, on which interest is calculated at a variable rate by reference to sterling bank deposit rates; and the trust's holdings in bond portfolios which are principally exposed to holdings in fixed and variable rate financial assets (21.02.10: same).

#### Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (21.02.10: same).

### 10 Portfolio transaction costs

	2011 £'000	2010 £'000
<b>a ) Purchases</b>		
Total purchases excluding transaction costs	99,140	40,811
<b>b ) Sales</b>		
Total sales excluding transaction costs	123,815	54,441

There were no significant transaction costs during the year (2010: same).

# Financial statements

## Notes to the financial statements (continued)

### 11 Unitholder funds

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

The charging structure, as at 21 February 2011, is set out in the following table (21.02.10: same):

	Class 'A' %
<b>Initial charge:</b>	3.00
<b>Withdrawal fee:</b> <sup>[a]</sup>	n/a
<b>Manager's annual remuneration:</b>	1.50 <sup>[b]</sup>

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

<sup>[b]</sup> This 1.50% remuneration is reduced to the extent that an equivalent charge has been borne by the underlying collective investment schemes.

The net asset value per unit and the number of units are given in the comparative table on page 6. The distribution per unit is given in the distribution table on page 18.

### 12 Distributions

	2011 £'000	2010 £'000
<b>Accumulation units (sterling)</b>		
<b>Class 'A' - Final</b>	4,113	4,786
Income deducted on cancellation of units	200	181
Income received on issue of units	(21)	(42)
<b>Distributions</b>	<b>4,292</b>	<b>4,925</b>
Net revenue per statement of total return	4,291	4,921
Undistributed income brought forward	16	20
Undistributed income carried forward	(15)	(16)
<b>Distributions</b>	<b>4,292</b>	<b>4,925</b>

# Financial statements

## Distribution table

Dividend distribution on Accumulation shares	Net income	Equal- isation	Amount reinvested	
			2011	2010
Sterling Class 'A' - Final	p	p	p	p
Group 1:	1.3400	-	1.3400	1.4230
Group 2:	0.8025	0.5375	1.3400	1.4230

Final period 22.02.10 – 21.02.11

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 21 February 2011

The percentage of the Prudential Managed Trust held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is 19.36%.

# 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 October 2010.
- 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 Managed Trust for the year ended 21 February 2011**

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  
1 April 2011

## 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  
1 April 2011

# Independent auditors' report

## **Independent auditors' report to the unitholders of the Prudential Managed Trust ('the trust')**

We have audited the financial statements of the Prudential Managed Trust for the year ended 21 February 2011 which comprise the statement of total return, the statement of change in unitholders' funds, the balance sheet, the related notes and the distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

## **Respective responsibilities of Authorised Fund Manager and Auditors**

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

This report, including the opinions, has been prepared for and only for the trust's unitholders 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 these opinions, 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.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and the overall presentation of the financial statements.

## Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the trust at 21 February 2011 and of the net revenue and the net gains of the scheme 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, the Collective Investment Schemes sourcebook and the Trust Deed.

## Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

- proper accounting records for the trust have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
London  
1 April 2011

The financial statements are published at [www.pru.co.uk/managersreports](http://www.pru.co.uk/managersreports), which is a website maintained by Prudential UK ('Prudential'). The maintenance and integrity of the Prudential Unit Trust website is the responsibility of the Authorised Fund Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Notes to unitholders

Please note that with effect from 1 November 2010 the provision of Fund Accounting and the daily calculation of fund prices (Price Making) for all our funds is being undertaken by State Street Bank and Trust Company.

Mr Trevor Cheal resigned as a Director of Prudential Unit Trusts Limited on 31 March 2010.

Mr Mark Thompson was appointed as a Director of Prudential Unit Trusts Limited on 18 May 2010, and resigned as a Director of Prudential Unit Trusts Limited on 10 December 2010.

## 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](http://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 Managed Trust is an Authorised Unit Trust Scheme within the meaning of the Financial Services & Markets Act 2000 and has been established as a 'non-UCITS' retail scheme.

### **Manager**

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

### **Directors**

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

### **Secretary**

M&G Management Services Limited

### **Investment adviser**

M&G Investment Management Limited,  
Laurence Pountney Hill, London EC4R 0HH  
(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](http://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.