

Prudential Maximum Income Trust

Manager's annual report for
the year ended 31 January 2010
(audited)

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⁺ Collectively, these comprise the Manager's Report.

Trust objective and policy

The Scheme aims to provide a gross return comparable with that available from time to time on retail sterling deposits with UK banks and building societies from a portfolio consisting of bonds issued by the UK government, local authorities, building societies and other major companies.

Manager's comments

During the 12-month period under review, the trust returned 5.3%* in terms of total return (capital performance with net income reinvested), while the IMA Money Market sector returned 1.1%*.

The UK was in the grip of a deep recession at the start of the review period and risk aversion was extremely high. However, a turning point came in March 2009 when policymakers intervened with a series of stimulus measures, including debt guarantees and asset repurchase schemes aimed at improving liquidity in credit markets.

This helped to create a favourable environment for money markets and a strategy of investing in high quality floating rate notes (FRNs) – particularly financial FRNs – with a small holding in cash, helped the trust to outperform its peer group, the IMA Money Market sector.

Issued by corporations, an FRN is a bond with coupon payments that varies as a function of a reference interest rate, such as the London Interbank Offered Rate (LIBOR) – the rate of interest at which banks lend to each other. The coupon is reset at fixed periods, usually every three months, and depends on the level of LIBOR at that time. Although the risk of fluctuations in capital value due to changes in interest rates is limited with FRNs, they do have credit risk because there is a possibility that the company issuing the notes could default and therefore be unable to meet its interest payments.

A number of factors contributed to the healthy performance of FRNs. Firstly, as a result of the severe distress within the banking sector following the demise of US investment bank Lehman Brothers in September 2008, FRN prices fell. As it became apparent that the global economy had been saved from a second Great Depression, investors became less risk averse from April 2009 onwards, and started to believe that the yields available on FRNs offered good value. Consequently, the prices of FRNs recovered steadily throughout the review period.

Manager's comments (continued)

Secondly, the Bank of England cut interest rates to a record low of 0.5% in March 2009 as part of a concerted effort to stimulate economic activity. Interest rates remained unchanged for the rest of the year and into 2010, meaning the returns from cash were minimal, making FRNs look more attractive in comparison.

It is important to highlight that the portfolio only invests in Senior and Lower Tier 2 bank FRNs, in other words, those with the lowest risk of default. The portfolio has no exposure to poorer quality Upper Tier 2 and Tier 1 bonds, which are legally a lower priority for the bond issuers to repay if they run into trouble. Upper Tier 2 and Tier 1 bonds bore the brunt of the troubles within the markets, and the fund manager's policy is to avoid them for this trust.

In terms of transaction activity during the review period, the fund manager focused on enhancing the portfolio's diversification, while also reducing its exposure to financials, following a period of strong performance. To this end, he trimmed the trust's weighting in financial FRNs by more than 18%, which involved selling senior bank FRNs from Citigroup, Lloyds TSB Bank and Crédit Agricole, amongst others.

The trust's holdings were diversified further by reinvesting some of the proceeds from these sales into FRNs issued by non-financial institutions, including gas provider Southern Gas Network and water supplier Thames Water Utilities. These are well-established, successful businesses with a proven track record of generating strong earnings growth in different market conditions. The fund manager believes that these FRNs offer superior risk / reward opportunities when compared with FRNs issued by certain financial institutions.

Finally, the fund manager invested in a series of AAA-rated UK Treasury Bills (short-term, very low risk securities issued by the government). The position was first initiated in March 2009, a few weeks from expiry. He then reinvested the proceeds at maturity back into UK Treasury Bills, a process that was repeated several times throughout the period. Although these short-term fixed income securities do not yield very much, they are a suitable alternative to cash and added value to the trust.

Manager's comments (continued)

While the world's financial markets seem to be on the road to a recovery, a cautious outlook, in our opinion, is clearly warranted. Interest rates, particularly in the major western economies, are expected to remain low for some time to come. In this environment, FRNs should continue to be supported by investors' desire to improve upon the returns available from cash deposits, while limiting their exposure to risk when compared with equity investments.

After the good performance of FRNs over the past 12 months, careful stock selection will be crucial in the months ahead in order to separate the better quality FRNs from their inferior counterparts. With our large team of highly experienced credit analysts behind us, we feel that we are in an advantageous position in this respect. We believe that the fund's strategy of investing in good quality FRNs should prove beneficial for investors over the long term.

* Source: Morningstar, Inc.

Basis: Bid to bid with net income reinvested to 29 January 2010 (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 Maximum Income 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
Interim	02.08.10	30.09.10
Final	01.02.11	31.03.11

	Final distribution Inc 31.03.10 ^[a]	Total Expense Ratio ^[b] 31.01.10	31.01.09
Sterling	p	%	%
Class 'A'	0.5644	0.52	0.52

The Portfolio Turnover Rate (PTR) for the 12 months ending 31 January 2010 was 264.61% compared with 98.70% for the year ending 31 January 2009. ^[c]

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

^[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 class.

	Net asset value per unit as at 31.01.10 Inc	Net asset value per unit as at 31.01.09 Inc	Net asset value % change Inc
Sterling	p	p	%
Class 'A'	93.61	89.10	+5.06

Trust statistics

Prices ^[a]

Calendar year	Income units		
	Highest	Lowest	
Sterling Class 'A'	p	p	
	2005	102.52	98.01
	2006	100.11	98.41
	2007	100.57	98.63
	2008	100.07	93.01
	2009	93.99	88.42
	2010 ^[b]	94.35	93.76

[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 1 February 2010.

Trust statistics

Income

Interest income per unit

Calendar year		Final	Distributed Interim	Total
Sterling (net)		p	p	p
Class 'A'	2005	1.9248	1.8208	3.7456
	2006	1.6000	1.5528	3.1528
	2007	1.7660	1.9328	3.6988
	2008	2.2236	2.0408	4.2644
	2009	2.1060	0.8080	2.9140
	2010 ^[a]	0.5644	-	0.5644

[a] Up to final: ex-distribution date 1 February 2010;
payment date 31 March 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 Inc	Number of units Inc
Sterling Class 'A'	Jan 2008	p 97.71	302,620,012
	Jan 2009	89.10	308,194,512
	Jan 2010	93.61	291,837,012

Total net asset value of trust

Year ended	£
Jan 2008	295,700,000
Jan 2009	274,607,000
Jan 2010	273,179,000

Portfolio

Portfolio statement

as at 31 January 2010

Holding	Value £'000	31.01.10 %	31.01.09 %
'AAA' credit rated bonds		11.90	15.59
€ 1,450,000 Arena 2009-I FRN 2041	1,263	0.46	
£3,200,000 Arkle Master Issuer SER 2006-2 FRN 2052	3,156	1.16	
£1,513,797 Arran Residential No. 1 FRN 2056	1,433	0.52	
£500,000 Broadgate Financing FRN 2032	399	0.15	
£230,000 Chester Asset Receivables FRN 2013	221	0.08	
£2,340,000 Chester Asset Receivables FRN 2016	2,093	0.77	
£2,500,000 Holmes Finance No.10 FRN 2040	2,476	0.91	
£3,000,000 Holmes Master Issuer FRN 2021	2,942	1.08	
£2,400,000 Holmes Master Issuer FRN 2040	2,362	0.86	
£1,989,931 Lothian Mortgages No.4 FRN 2040	1,941	0.71	
€ 2,000,000 New York Life Global Funding FRN 2013	1,626	0.60	
£1,000,000 Permanent Financing No.7 FRN 2032	993	0.36	
£3,200,000 Permanent Master Issuer FRN 2020	3,049	1.12	
£1,500,000 Permanent Master Issuer FRN 2042 '2-A1'	1,517	0.56	
£2,000,000 Permanent Master Issuer FRN 2042 'A1'	2,000	0.73	
€ 510,052 Santander Auto 1 FRN 2022	439	0.16	
£3,000,000 Silverstone Master Issuer FRN 2055	3,049	1.12	
£599,078 Talisman 2 Finance FRN 2015	478	0.17	
€ 289,476 VCL No.10 FRN 2013	250	0.38	
'AA' credit rated bonds		24.04	34.41
£5,000,000 Australia & New Zealand Banking Group FRN 2012	5,007	1.83	
£1,000,000 Barclays Bank FRN 2010	1,000	0.37	
£9,920,000 BNP Paribas FRN 2015	9,746	3.57	
£4,850,000 Commonwealth Bank of Australia FRN 2010	4,847	1.77	
€ 1,450,000 Commonwealth Bank of Australia FRN 2015	1,230	0.45	
£2,000,000 Crédit Agricole FRN 2011	1,998	0.73	
£2,500,000 HSBC Bank FRN 2012	2,518	0.92	
£1,000,000 HSBC France FRN 2011	999	0.37	
£9,100,000 Intesa Sanpaolo FRN 2011	9,051	3.31	
€ 1,000,000 Intesa Sanpaolo FRN 2017	826	0.30	

Portfolio

Portfolio statement (continued)

as at 31 January 2010

Holding	Value £'000	31.01.10 %	31.01.09 %
'AA' credit rated bonds (continued)			
£3,900,000	MetLife Global Funding FRN 2010	3,862	1.41
£3,300,000	MetLife Global Funding FRN 2011	3,205	1.17
£400,000	Mitchells & Butlers Finance FRN 2030	320	0.12
€ 2,300,000	Pacific Life FRN 2021	1,848	0.68
€ 8,000,000	Rabobank Nederland FRN 2015	6,853	2.51
£3,000,000	Royal Bank of Canada FRN 2011	2,987	1.09
£3,000,000	Santander International Debt FRN 2010	3,004	1.10
£200,000	Santander International Debt FRN 2012	198	0.07
£5,423,000	Wells Fargo FRN 2012	5,350	1.96
€ 1,000,000	Westpac Banking FRN 2015	850	0.31
'A' credit rated bonds		37.70	33.90
£68,480	Annington Finance No.4 FRN 2023	64	0.02
€ 2,600,000	Atlantia FRN 2011	2,251	0.82
£2,500,000	Bank of America FRN 2011	2,475	0.91
£5,650,000	Bank of America FRN 2012	5,444	1.99
€ 1,000,000	Bank of America FRN 2014	813	0.30
€ 2,000,000	Banque Accord FRN 2012	1,684	0.62
£5,065,000	BMW UK Capital 6.375% 2010	5,156	1.89
£8,200,000	Credit Suisse FRN 2011	8,178	2.99
£700,000	Danone Finance FRN 2010	670	0.25
£10,450,000	Deutsche Bank FRN 2012	10,370	3.80
€ 6,650,000	Diageo Finance FRN 2012	5,726	2.10
€ 5,550,000	DnB NOR Bank FRN 2014	4,711	1.72
€ 2,250,000	Endesa Capital FRN 2012	1,925	0.70
€ 1,000,000	Enel FRN 2014	858	0.31
€ 2,500,000	Fonterra FRN 2010	2,162	0.79
€ 3,000,000	Fortis Bank FRN 2016	2,460	0.90
€ 3,000,000	HSBC Bank FRN 2016	2,537	0.93
€ 3,230,000	HSBC Bank FRN 2020	2,585	0.95
£4,000,000	JPMorgan Chase FRN 2012	3,948	1.45
€ 6,550,000	JPMorgan Chase FRN 2015	5,328	1.95
£666,543	Marston's Issuer FRN 2020	556	0.20
£6,012,000	Nationwide Building Society FRN 2010	6,009	2.20
£1,045,000	RWE Finance 4.625% 2010	1,063	0.39
€ 5,950,000	Telenor FRN 2011	5,144	1.88
£4,325,000	UBS Jersey FRN 2010	4,322	1.58
£6,200,000	UniCredit 5.125% 2010	6,220	2.28
€ 3,750,000	Vodafone Group FRN 2012	3,236	1.18

Portfolio

Portfolio statement (continued)

as at 31 January 2010

Holding	Value £'000	31.01.10 %	31.01.09 %
'A' credit rated bonds (continued)			
€ 5,800,000	Vodafone Group FRN 2014	4,949	1.81
€ 2,250,000	Volkswagen Bank FRN 2011	1,936	0.71
€ 1,150,000	Volkswagen Finance Services FRN 2010	993	0.08
		12.01	4.23
'BBB' credit rated bonds			
£619,000	Anglo American Capital 5.125% 2010	634	0.23
€ 4,200,000	Deutsche Telekom FRN 2012	3,634	1.33
€ 4,500,000	Ericsson FRN 2014	3,721	1.36
€ 7,000,000	Southern Gas Network FRN 2010	6,028	2.21
£2,100,000	Southern Gas Network FRN 2015	1,940	0.71
€ 1,300,000	Telecom Italia FRN 2010	1,124	0.41
€ 4,000,000	Telecom Italia FRN 2012	3,422	1.25
£6,400,000	Thames Water Utilities Finance 4.75% 2010	6,477	2.37
€ 6,750,000	Vivendi FRN 2011	5,838	2.14
		0.20	1.54
Bonds with no credit rating			
€ 3,400,000	Lehman Brothers Holdings FRN 2008	559	0.20
		3.66	2.11
Short term cash instruments			
£10,000,000	Treasury 0% 2010	9,996	3.66
		1.14	(3.04)
Forward currency contracts			
€(109,286,032)	Sold for £97,682,041 (expires 18.02.10)	3,104	1.14
€515,170	Bought for £(451,000) (expires 18.02.10)	(5)	0.00
Portfolio of investments (notes 1b & 1d)		247,631	90.65
Net other assets		25,548	9.35
Net assets attributable to unitholders		273,179	100.00

Financial statements

for the year ended 31 January 2010

Statement of total return

	Note	2010		2009	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	3		14,752		(26,557)
Revenue	4	7,280		17,505	
Expenses	5	(1,569)		(1,548)	
Finance costs: Interest	12	(6)		(5)	
Net revenue before taxation		5,705		15,952	
Taxation	6	0		0	
Net revenue after taxation			5,705		15,952
Total return before distributions			20,457		(10,605)
Finance costs: Distributions	12		(5,705)		(15,952)
Change in net assets attributable to unitholders from investment activities			14,752		(26,557)

Statement of change in net assets attributable to unitholders

	2010		2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		274,607		295,700
Amounts received on issue of units	39,361		12,717	
Amounts paid on cancellation of units	(55,631)		(7,255)	
		(16,270)		5,462
Dilution levy		89		0
Change in net assets attributable to unitholders from investment activities (see above)		14,752		(26,557)
Unclaimed distributions		1		2
Closing net assets attributable to unitholders		273,179		274,607

Financial statements

Balance sheet

	as at 31 January 2010 £'000		as at 31 January 2009 £'000	
Assets				
Investment assets		247,636		252,022
Debtors				
Bank interest receivable	0		1	
Debt security interest receivable	724		2,008	
Deposit interest receivable	1		0	
		725		2,009
Cash and bank balances	37		594	
Cash on deposit	32,098		36,487	
		32,135		37,081
Total other assets		32,860		39,090
Total assets		280,496		291,112
Liabilities				
Investment liabilities		(5)		(8,347)
Creditors				
Amounts payable on cancellations	(11)		(8)	
Expenses payable	(33)		(36)	
Income tax payable	(444)		(1,623)	
Net distributions payable on Income units	(1,647)		(6,491)	
Purchases awaiting settlement	(5,177)		0	
		(7,312)		(8,158)
Total liabilities		(7,317)		(16,505)
Net assets attributable to unitholders		273,179		274,607

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 29 January 2010, being the last business day of the financial year. The fair value of non-derivative securities is bid price, excluding any accrued interest, and the fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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 29 January 2010, being the last business day of the financial year.

e) **Derivative financial instruments**

Gains and losses on derivative contracts are accounted for in accordance with the fund manager's intention on entering into the contracts. Where the intention is to protect or enhance capital return, gains or losses are recognised in net capital gains / (losses); where the intention is to generate or protect revenue, the costs or income are recognised in net revenue before taxation.

Financial statements

Notes to the financial statements (continued)

1 Accounting policies (continued)

f) Interest income

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 and deposit interest are recognised on an accruals basis and treated as revenue.

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) 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.

i) 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.

j) 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.

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 interest rate risk, market price risk and currency risk in relation to the investment portfolio.

The capital value of 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.

The Manager considers the credit rating, yield and maturity of corporate bonds in order to ensure that the yield fully reflects any perceived risk. The capital value of investments within the trust will fall in the event of the default or perceived increased credit risk of an issuer.

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. Accordingly, although permitted by the Prospectus, the trust has not used derivative instruments to hedge market price risk.

The capital and income value of the trust's underlying investments can be 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.

Income arising in foreign currencies is generally converted into sterling shortly after receipt and is not hedged in advance of receipt.

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 objectives. 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 (31.01.09: same).

Financial statements

Notes to the financial statements (continued)

3 Net capital gains / (losses)

	2010 £'000	2009 £'000
Non-derivative securities	12,053	(14,269)
Forward currency contracts	2,346	(12,334)
Currency gains	218	52
Effective yield adjustments	147	0
Transaction charges	(12)	(6)
Net capital gains / (losses)	14,752	(26,557)

4 Revenue

	2010 £'000	2009 £'000
Bank interest	6	57
Deposit interest	139	1,136
Interest on debt securities	7,135	16,312
Total revenue	7,280	17,505

5 Expenses

	2010 £'000	2009 £'000
Payable to the Manager or associate		
Manager's periodic charge	1,516	1,492
Payable to the Trustee or associate		
Trustee's fee (including VAT)	22	22
Distribution fees	1	0
	23	22
Other expenses		
Audit fee (including VAT)	7	7
Registration fees	2	3
Safe custody charge	21	24
	30	34
Total expenses	1,569	1,548

Financial statements

Notes to the financial statements (continued)

6 Taxation

	2010 £'000	2009 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Current tax charge (note 6b)	0	0
Deferred tax (note 6c)	0	0
Total taxation	0	0
b) Factors affecting taxation charge for the year		
Net revenue before taxation	5,705	15,952
Corporation tax at 20%	1,141	3,190
Effects of:		
Interest distributions	(1,141)	(3,190)
Current tax charge (note 6a)	0	0
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 6a)	0	0
Provision at the end of the year	0	0

The trust does not have an unrecognised deferred tax asset at the year end (31.01.09: same).

Interest distributions have been made in respect of all distributions during the current and preceding years. Income tax at 20% will be accounted for on unitholders' behalf to HM Revenue & Customs where applicable.

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 (31.01.09: 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 net assets attributable to unitholders 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.

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 98.53% (31.01.09: 98.54%) of the trust's units.

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 (31.01.09: 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 31.01.10 £'000	as at 31.01.09 £'000	as at 31.01.10 £'000	as at 31.01.09 £'000	as at 31.01.10 £'000	as at 31.01.09 £'000
Euro	(5,323)	137,772	5,222	363	(101)	138,135
Sterling	252,954	105,903	20,326	30,569	273,280	136,472
Total	247,631	243,675	25,548	30,932	273,179	274,607

Interest rate profile

	Floating rate financial assets		Fixed rate financial assets		Total	
	as at 31.01.10 £'000	as at 31.01.09 £'000	as at 31.01.10 £'000	as at 31.01.09 £'000	as at 31.01.10 £'000	as at 31.01.09 £'000
Euro	88,854	64,950	5,084	1,782	93,938	66,732
Sterling	126,169	166,262	56,560	56,110	182,729	222,372
Total	215,023	231,212	61,644	57,892	276,667	289,104

The weighted average gross interest rate of these fixed interest-bearing assets at the balance sheet date was 0.74% (31.01.09: 2.33%) and the weighted average period for which the interest rates were fixed was 0.12 years (31.01.09: 0.14 years) 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; floating rate notes, on which interest is calculated at a variable rate by reference to the London Interbank Offered Rate (LIBOR) or the Euro Interbank Offered Rate (EURIBOR) (31.01.09: same).

Fair values

There is no material difference between the carrying values and fair values of the financial instruments disclosed in the balance sheet (31.01.09: same).

Financial statements

Notes to the financial statements (continued)

10 Portfolio transaction costs

	2010 £'000	2009 £'000
a) Purchases		
Purchases excluding transaction costs	439,153	227,887
b) Sales		
Sales excluding transaction costs	460,865	224,996

There were no significant transaction costs during the year (2009: same).

11 Unitholder funds

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

The charging structure for this unit class, as at 31 January 2010, is set out in the following table (31.01.09: same):

	Class 'A' %
Initial charge:	2.50
Withdrawal fee: ^[a]	n/a
Manager's annual remuneration:	0.50

[a] 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.

The net asset value for the unit class is set out in the following table:

	31.01.10 Inc £'000	31.01.09 Inc £'000
Sterling Class 'A'	273,179	274,607

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 22.

Financial statements

Notes to the financial statements (continued)

12 Finance costs

	2010 £'000	2009 £'000
Income units (sterling)		
Class 'A' - Interim	2,816	6,292
- Final	1,647	6,491
	4,463	12,783
Income tax deducted at source	1,141	3,190
Finance costs: Interest distributions	5,604	15,973
Income deducted on cancellation of units	137	124
Income received on issue of units	(36)	(145)
Finance costs: Distributions	5,705	15,952
Finance costs: Interest	6	5
Total finance costs	5,711	15,957
Net revenue per statement of total return	5,705	15,952
Undistributed income brought forward	3	3
Undistributed income carried forward	(3)	(3)
Finance costs: Distributions	5,705	15,952

Financial statements

Distribution table

Interest distributions on Income units	Gross income	Income tax deducted	Net income	Equal- isation	Distribution paid / payable	
	p	p	p	p	2009/10	2008/09
Sterling						
Class 'A' - Interim						
Group 1:	1.0100	0.2020	0.8080	-	0.8080	2.0408
Group 2:	0.9068	0.1814	0.7254	0.0826	0.8080	2.0408
- Final						
Group 1:	0.7055	0.1411	0.5644	-	0.5644	2.1060
Group 2:	0.6001	0.1200	0.4801	0.0843	0.5644	2.1060

Interim period 01.02.09 – 31.07.09

Final period 01.08.09 – 31.01.10

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 31 January 2010

The percentage of the Prudential Maximum Income Trust held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is 99.32%.

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 Maximum Income Trust for the year ended 31 January 2010

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
11 March 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
11 March 2010

Independent auditors' report

To the unitholders of the Prudential Maximum Income Trust ('the trust')

We have audited the financial statements of the Prudential Maximum Income Trust for the year ended 31 January 2010 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet, the related notes and the distribution table. 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 31 January 2010 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
11 March 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.

Note to unitholders

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 Maximum Income 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

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

'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.