

Prudential Distribution Trust

Manager's interim report for the
six months ended 7 July 2009
(unaudited)

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Trust objective and policy

This Trust aims to provide a rising income together with a steady capital growth over the longer term. The Trust aims to generate a yield greater than that of the FTSE All-Share Index.

Manager's comments

During the six-month review period, the trust's total return (capital performance with net income reinvested) fell by 2.0%*. This compares with a decline of 0.1%** by its benchmark (a composite of 55% of the FTSE All-Share Index and 45% of the Merrill Lynch Sterling Corporate All Stocks Index) and a gain of 1.1%* in its peer group, the (IMA) Cautious Managed Sector.

As in other major equity markets, share prices in the UK declined in the first two months of the year as investors considered ongoing uncertainty in the global financial sector and the reality of recession. However, sentiment improved as a moderation in the rate of decline suggested that a recovery could be on the way. As a result, equities and corporate bonds rallied from March onwards, making up much of the ground lost earlier.

UK government bonds (gilts), on the other hand, declined due to investor concerns over the rising supply. In order to fund the new budget, it was estimated that the UK government would need to issue up to £220 billion in gilts this financial year. The quantitative easing programme launched in March, under which the Bank of England buys back gilts in the open market, was not sufficient to keep gilt returns in positive territory during the period under review.

In this environment, the trust's fixed income portion benefited from a low exposure to government bonds. Performance was also helped by an underweight position in financial bonds. While industrial bonds performed well, returning 10.5% during the review period, ongoing fears of nationalisation and defaults dampened financial bonds, which returned 0.4%.

In the equity portion of the portfolio, the trust has a relatively light holding in the banking and general financial industries. After a period of significant weakness, these sectors enjoyed a strong rally in the second half of the review period. However, as a result of the positioning in the portfolio, the trust was not able to capture these gains.

Similarly, the equity portion of the trust has a relatively light presence in mining companies, which was unhelpful as investors' improved sentiment meant they became more optimistic about prospects for the sector. Nevertheless, mining stocks are typically low yielding, making them less attractive for inclusion in the portfolio.

Manager's comments (continued)

Elsewhere, the trust's equity holdings in general retailers proved helpful for performance as the sector was one of the strongest areas over the six-month period.

Turning to individual equities, returns were boosted by a holding in car parts and bicycle retailer Halfords, which is cutting costs and has increased its full-year dividend.

Despite continued weakness in the UK property market and rising unemployment, a holding in home-retailer Kingfisher also added value. The company's first-quarter profits rose more than expected as warmer spring weather boosted sales at its B&Q stores.

Meanwhile, household goods company PZ Cussons, which makes Imperial Leather soaps, was a further contributor. The company gets nearly half of its revenues from Africa, making it less dependent on Europe's slowing economies.

Inevitably, a number of equity positions disappointed during the six-month review period. For example pharmaceutical company GlaxoSmithKline and utility group United Utilities featured as detractors. Business park owner Segro also held back performance following a drop in the estimated value of its properties as loans for purchasing properties become more expensive and harder to obtain. Similarly, Land Securities, a real estate investment trust, held back performance as the value of its properties declined.

Faced with tough trading conditions, insurer Legal & General was a further detractor on the back of falling pension demand. Investors were also unhappy when the company cut its dividend payment in order to conserve cash. Finally, sugar and sweetener company Tate & Lyle was weak due to falling demand in the Americas.

In terms of equity portfolio activity, new positions were established in Standard Life and British Sky Broadcasting (BSkyB). In the fund manager's opinion, Standard Life is the most defensive of the life insurance stocks, supported by good growth prospects in its corporate pensions business. BSkyB is attractive for its relatively stable earnings outlook. The broadcaster's services are proving to be quite resilient, as indicated by the higher subscription numbers in the second half of 2008.

The fund manager also increased exposure to a number of holdings initiated towards the end of the last review period: Cable & Wireless, which reported steady profit growth on the back of improved margins and lower operating costs; and Land Securities, which represented a shift back into commercial property following some of the steepest drops in property values on record. Positions in beer and spirits group Diageo and miner Anglo American were added to as well. Valuations of Diageo have fallen back to attractive levels while Anglo American has a broad spread of operations supported by strong profits.

Manager's comments (continued)

On the other hand, a holding in Kingfisher was substantially reduced in favour of Diageo. The fund manager believes that the shares are relatively expensive now following a period of very strong performance. Similarly, positions in Pearson and Aviva were heavily sold down, while a large holding in Vodafone was trimmed in preference of Cable & Wireless.

Within the bond portion, the largest transactions involved Treasury 5% 2025, Treasury 2.25% 2014 and Treasury 4.75% 2020. These UK government bonds (gilts) holdings proved to be defensive at the end of the previous review period. However, as investment grade corporate bond yields have become highly attractive following a considerable widening of the corporate spread, the gilt exposure was reduced in favour of investment grade corporate bonds. The fund manager added to bonds issued by Imperial Tobacco and energy producer E.ON. New positions were also established in a JPMorgan Chase floating rate note and a bond issuance from financial group Mellon. In contrast, bonds where the relative valuations have become less attractive were sold, including Channel Tunnel Rail Link 5.234% 2035, GE Capital Funding 5.625% 2019 and Tennessee Valley Authority 5.35% 2021.

Investor sentiment has improved in recent months amidst hopes that the worst of the recession may have passed. However, the economic climate remains bleak with rising unemployment and depressed demand from businesses and consumers alike. As a result, there remains the possibility of disappointments in equity markets in the immediate future. However, the fund manager takes a longer-term view, believing that equities and corporate bonds should contribute to healthy returns for investors once the economic climate improves. In his view, investment grade credit spreads, which are higher than at any point since the Great Depression, still significantly overcompensate investors for the risk of default. On the other hand, gilt prices are likely to come under pressure from the expected rise in government debt over the next few years. The portfolio's fixed income portion, which is focused on good quality corporate credit, should help the trust perform well in the long term.

* Source: Morningstar, Inc.

Basis: Bid to bid with net income reinvested to 3 July 2009 (the nearest measurable period).

** Source: Morningstar, Inc.

Basis: Capital performance with net income reinvested to 3 July 2009 (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 Distribution 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
Third interim	08.10.09	07.12.09
Final	08.01.10	07.03.10
First interim	08.04.10	07.06.10
Second interim	08.07.10	07.09.10

	Interim distribution		Total Expense Ratio ^[b]	
	Inc 07.09.09 ^[a]	Acc 08.07.09 ^[a]	07.07.09	07.01.09
Sterling	p	p	%	%
Class 'A'	1.6760	3.2124	1.54	1.59
Class 'C'	1.7770	n/a	0.06	0.04

The Portfolio Turnover Rate (PTR) for the 12 months ending 7 July 2009 was 106.31% compared with 65.65% for the year ending 7 January 2009. ^[c]

^[a] The date on which the interim 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 07.07.09		Net asset value per unit as at 07.01.09		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
Sterling	p	p	p	p	%	%
Class 'A'	104.12	202.78	109.82	207.69	-5.19	-2.36
Class 'C'	109.42	n/a	114.73	n/a	-4.63	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	135.16	119.09	213.85	186.39
	2005 ^[b]	139.69	130.02	222.30	206.47

^[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 this trust was single priced and from this date now shows both the highest price and lowest price.

^[b] Up to 7 July 2005.

Post conversion to multi-unit class.

	Calendar year	Income units		Accumulation units	
		Highest	Lowest	Highest	Lowest
Sterling		p	p	p	p
	2005 ^[a]	141.99	133.35	233.37	219.14
Class 'A'	2006	148.41	137.94	253.51	231.37
	2007	150.90	138.11	262.70	244.63
	2008	143.22	99.40	254.57	185.60
	2009 ^[b]	112.99	95.60	210.96	180.78
	2005 ^[a]	142.93	133.90	n/a	n/a
Class 'C'	2006	151.24	139.85	n/a	n/a
	2007	154.56	142.32	n/a	n/a
	2008	147.80	103.62	n/a	n/a
	2009 ^[b]	118.06	100.07	n/a	n/a

^[a] From 8 July 2005 (the launch date of the unit class).

^[b] Up to 8 July 2009.

Trust statistics

Income

Income per unit

Prior to conversion to multi-unit class.

	Calendar year	Final	Distributed Interims	Total	Reinvested
Sterling (net)		p	p	p	p
	2004	1.0287	4.0844	5.1131	7.8688
	2005 ^[a]	1.0594	2.8594	3.9188	6.2482

[a] Up to interim: ex-distribution date 8 July 2005;
payment date 7 September 2005.

Post conversion to multi-unit class.

	Calendar year	Final	Distributed Interims	Total	Reinvested
Sterling (net)		p	p	p	p
Class 'A'	2005	n/a	1.4451	1.4451	2.3721
	2006	0.9993	4.5383	5.5376	9.2849
	2007	1.1479	4.7130	5.8609	10.1702
	2008	1.2788	4.9180	6.1968	11.2067
	2009 ^[a]	1.4000	3.0020	4.4020	8.3340
Class 'C'	2005	n/a	1.3858	1.3858	n/a
	2006	1.1073	4.6844	5.7917	n/a
	2007	1.1937	4.8956	6.0893	n/a
	2008	1.3348	5.1550	6.4898	n/a
	2009 ^[a]	1.4880	3.1860	4.6740	n/a

[a] Up to interim: ex-distribution date 8 July 2009;
payment date 7 September 2009.

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

	Period ended	Value per unit		Number of units	
		Inc	Acc	Inc	Acc
Sterling		p	p		
Class 'A'	Jan 2007	147.76	254.36	42,908,380	28,092,429
	Jan 2008	140.28	251.60	43,152,780	28,692,929
	Jan 2009	109.82	207.69	41,193,480	25,765,429
	Jul 2009	104.12	202.78	40,415,880	24,098,679
Class 'C'	Jan 2007	150.66	n/a	73,359,300	n/a
	Jan 2008	144.76	n/a	80,105,600	n/a
	Jan 2009	114.73	n/a	83,021,600	n/a
	Jul 2009	109.42	n/a	82,768,600	n/a

Total net asset value of trust

Period ended	£
Jan 2007	245,378,000
Jan 2008	248,691,000
Jan 2009	194,005,000
Jul 2009	181,516,000

Portfolio

Portfolio statement

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
Oil & gas producers			
1,767,108	BP	8,356	4.60
551,023	Royal Dutch Shell 'B'	8,117	4.47
Chemicals			
79,795	Johnson Matthey	910	0.50
550,377	Yule Catto	574	0.32
Mining			
112,448	Anglo American	1,894	1.04
88,316	Lonmin	973	0.54
Construction & materials			
1,877,894	Low & Bonar	460	0.25
57,009	Marshalls	46	0.03
26,186	Morgan Sindall	168	0.09
Electronic & electrical equipment			
151,704	Renishaw	535	0.30
General industrials			
600,287	Smith (D.S.)	378	0.21
Industrial engineering			
157,995	IMI	470	0.26
306,423	Vitec	783	0.43
Support services			
212,147	Bunzl	1,110	0.61
276,434	Davis Service Group	877	0.48
45,904	De La Rue	413	0.23
375,564	Electrocomponents	524	0.29
771,069	Filtrona	918	0.51
871,573	Hays	713	0.39
207,626	Smiths News	250	0.14
89,912	St. Ives	47	0.03
Automobiles & parts			
Beverages			
179,735	Diageo	1,614	0.89
Food producers			
294,423	Tate & Lyle	863	0.48
226,894	Unilever	3,326	1.83
Personal goods			
522,126	PZ Cussons	1,034	0.57
Tobacco			
199,875	British American Tobacco	3,438	1.89
76,699	Imperial Tobacco	1,224	0.67
Pharmaceuticals & biotechnology			
172,423	AstraZeneca	4,653	2.56
269,237	BTG	393	0.22
634,369	GlaxoSmithKline	6,791	3.74

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
Food & drug retailers			
274,159	Sainsbury (J.)	857	0.47
General retailers			
457,371	Halfords	1,411	0.78
281,355	Home Retail	737	0.41
5,297	Kesa Electricals	5	0.00
52,250	Kingfisher	97	0.05
12,758	NEXT	195	0.11
Media			
160,179	British Sky Broadcasting	758	0.42
111,472	Daily Mail & General Trust 'A' (non-voting)	320	0.18
139,528	Pearson	825	0.45
276,841	Reed Elsevier	1,297	0.71
Travel & leisure			
210,535	Compass Group	723	0.40
302,271	Ladbrokes	544	0.30
467,281	William Hill	939	0.52
Fixed line telecommunications			
962,787	BT Group	994	0.55
979,584	Cable & Wireless	1,284	0.71
Mobile telecommunications			
5,282,131	Vodafone	6,067	3.34
Electricity			
33,972	Scottish & Southern Energy	386	0.21
Gas, water & multi-utilities			
670,530	Centrica	1,485	0.82
263,742	National Grid	1,451	0.80
129,883	Severn Trent	1,378	0.76
277,096	United Utilities	1,358	0.75
Banks			
1,306,528	HSBC Holdings	6,711	3.70
1,105	Lloyds Banking Group	1	0.00
Financial services			
161,181	Close Brothers Group	1,050	0.58
289,763	IP Group	119	0.07
18,910	London Stock Exchange	122	0.07
73,871	Provident Financial	579	0.32
Life insurance			
406,661	Aviva	1,357	0.75
915,645	Legal & General Group	505	0.28
389,371	Prudential	1,544	0.85
404,892	Standard Life	743	0.41

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
Non-life insurance			
316,997	RSA Insurance Group	373	0.21
Real estate investment trusts			
160,998	Great Portland Estates	350	0.19
230,518	Land Securities Group	1,022	0.56
4,244,899	Segro	1,029	0.57
Software & computer services			
1,066,223	Sage Group	1,871	1.03
AIM quoted			
1,172,462	Booker Group	410	0.23
'AAA' credit rated bonds			
£255,000	BL Superstores Finance 4.482% 2030	199	0.11
£650,000	Canary Wharf Finance 6.455% 2033	649	0.36
£910,000	Chester Asset Receivables 6% 2013	892	0.49
£86,778	Cornerstone Titan FRN 2014	55	0.03
£1,143,333	Cumbernauld Fund 4.55% 2014	1,038	0.57
£232,507	Epic (Caspar) FRN 2014	127	0.07
£550,000	Gracechurch Card Funding No.10 FRN 2012	509	0.28
£524,916	Granite Master Issuer FRN 2054 'A6'	362	0.20
£183,912	Granite Master Issuer FRN 2054 '4A2'	127	0.07
£705,510	Granite Mortgages Var. Rate 2043	535	0.29
£572,472	Granite Mortgages Var. Rate 2044	357	0.20
£740,000	Holmes Financing No. 1 Var. Rate Perp.	741	0.41
£361,644	Housing Association Funding 8.25% 2027	439	0.24
£18,052	Leek Finance No.14 FRN 2036	17	0.01
£138,720	Mansard Mortgages FRN 2048	86	0.05
£719,000	Massmutual Global Funding 6.125% 2013	722	0.40
£176,000	New York Life Funding 5.125% 2015	170	0.09
£833,000	New York Life Global Funding 4.5% 2013	810	0.45
£231,080	Opera Finance FRN 2017	177	0.10
£490,000	Permanent Financing FRN 2042	447	0.25
£1,060,000	Permanent Financing No.3 Var. Rate 2042	1,051	0.58
£472,069	Sandwell Commercial Finance 2 FRN 2037	330	0.18
£950,000	Sherwood Castle Funding 5% 2012	922	0.51
£720,000	SLM Student Loan Trust 5.45% 2038	695	0.38
£4,768	Southern Pacific Securities FRN 2043	4	0.00
£400,000	Treasury 4.25% 2036	389	0.21
£100,000	Treasury 4.75% 2015	110	0.06
£241,000	Unite (USAF) FRN 2017	141	0.08
£150,000	Wellcome Trust Finance 4.75% 2021	149	0.08

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
'AA' credit rated bonds		9.04	8.39
£400,000 Abbey National 6.5% 2030	354	0.20	
£500,000 Allstate Life Funding 6.375% 2011	506	0.28	
£1,175,000 Australia & New Zealand Banking Group Var. Rate 2018	1,039	0.57	
£560,000 Barclays Bank Var. Rate 2023	513	0.28	
£550,000 BBVA Sub Capital Unipers Var. Rate 2018	496	0.27	
£350,000 BNP Paribas FRN 2015	315	0.17	
£545,000 Broadgate Financing 4.999% 2033	386	0.21	
£205,000 Goldman Sachs Group 7.125% 2025	206	0.11	
£290,000 Harbour Funding 5.28% 2044	253	0.14	
£165,000 HSBC Bank Var. Rate 2030	142	0.08	
£500,000 HSBC Holdings 6.5% 2024	525	0.29	
£504,000 Investor 5.5% 2037	392	0.22	
£980,000 John Hancock Global Funding 6% 2011	998	0.55	
£250,000 John Hancock Global Funding 6.625% 2009	252	0.14	
£300,000 Land Securities Capital Markets Var. Rate 2025	237	0.13	
£555,000 Land Securities Capital Markets Var. Rate 2032	434	0.24	
£322,000 Land Securities Capital Markets Var. Rate 2036	239	0.13	
£1,055,000 Mellon Funding 6.375% 2011	1,109	0.61	
£1,624,000 MetLife Global Funding 4.625% 2011	1,590	0.88	
£600,000 Mitchells & Butlers Finance 1.432% Var. Rate 2030	402	0.22	
£74,177 Mitchells & Butlers Finance 5.574% 2030	67	0.04	
£697,000 Monumental Global Funding 6% 2014	651	0.36	
£328,000 National Australia Bank 5.375% 2014	333	0.18	
£300,000 National Australia Bank Var. Rate 2023	280	0.15	
£150,000 Northern Trust 5.375% 2015	128	0.07	
£300,000 Places for People 5.09% 2043	270	0.15	
£445,000 Procter & Gamble 6.25% 2030	483	0.27	
£185,000 RSL Finance No.1 6.625% 2038	192	0.11	
£200,000 Santander Issuances 5.375% 2017	185	0.10	
£550,000 Santander Issuances Var. Rate 2017	526	0.29	
£350,000 Sun Life Canada Funding 5.75% 2011	358	0.20	
£220,000 Telereal Securitisation 5.9478% 2033	185	0.10	
£800,000 UBS Jersey Var. Rate 2024	629	0.35	
£450,000 Wachovia 5.25% 2023	344	0.19	
£1,005,000 Wal-Mart Stores 5.25% 2035	950	0.52	
£291,000 Wal-Mart Stores 5.625% 2034	293	0.16	
£150,000 Westpac Banking Var. Rate 2018	142	0.08	

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
'A' credit rated bonds		16.58	13.06
£150,000 Abbey National Var. Rate Perp.	98	0.05	
£465,000 Allied Irish Banks Var. Rate 2025	251	0.14	
£176,000 Allied Irish Banks Var. Rate 2030	92	0.05	
£680,000 Asif III Jersey 5.375% 2016	428	0.24	
£300,000 AT&T 5.5% 2027	278	0.15	
£700,000 AT&T 5.875% 2017	715	0.39	
£473,000 BAA Funding 5.225% 2025	298	0.16	
£390,000 BAA Funding Var. Rate 2023	320	0.18	
£610,000 BAA Funding Var. Rate 2033	404	0.22	
£795,000 Banca Intesa Var. Rate 2016	746	0.41	
£250,000 Bank of America 5.25% 2016	210	0.12	
£400,000 Bank of America FRN 2012	355	0.20	
£120,000 Bank of Scotland 9.375% 2021	111	0.06	
£490,000 Bank of Tokyo Mitsubishi (Curacao) Var. Rate 2017	456	0.25	
£209,000 Barclays Bank 10% 2021	243	0.13	
£300,000 BASF Finance Europe 5.875% 2017	305	0.17	
£100,000 Bayer 5.625% 2018	102	0.06	
£489,000 BUPA Finance 7.5% 2016	493	0.27	
£250,000 Cargill 5.375% 2037	181	0.10	
£350,000 Centrica 7% 2018	384	0.21	
£400,000 Citigroup FRN 2011	362	0.20	
£500,000 Clerical Medical 7.375% Perp.	295	0.16	
£400,000 Coca-Cola Enterprises 6.5% 2016	431	0.24	
£600,000 Coca-Cola Enterprises 6.5% 2021	639	0.35	
£277,000 Credit Suisse Var. Rate 2023	260	0.14	
£225,000 DnB Norske Bank Step-Up 2015	218	0.12	
£447,000 DnB NOR Bank Var. Rate 2017	426	0.23	
£409,000 DWR Cymru Financing 6.015% 2028	385	0.21	
£500,000 E.ON International Finance 5.875% 2037	491	0.27	
£50,000 E.ON International Finance 6.375% 2032	53	0.03	
£300,000 E.ON International Finance 6.75% 2039	334	0.18	
£300,000 Electricité De France 6.125% 2034	311	0.17	
£500,000 Electricité De France 6.25% 2028	529	0.29	
£650,000 Enel 6.25% 2019	661	0.36	
£300,000 Fonterra Co-op Group 9.375% 2023	334	0.18	
£121,000 France Telecom 5% 2016	120	0.07	
£100,000 Goldman Sachs Group 5.5% 2021	80	0.04	
£400,000 Hartford Life Institutional Fund 5.375% 2012	372	0.20	
£800,000 HSBC Holdings Var. Rate 2022	770	0.42	
£500,000 Iberdrola Finanzas 7.375% 2024	552	0.30	

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
'A' credit rated bonds (continued)			
£500,000	JPMorgan Chase 5.375% 2016	456	0.25
£1,300,000	JPMorgan Chase FRN 2012	1,223	0.67
£400,000	La Poste 5.625% 2016	415	0.23
£200,000	Legal & General Group 5.875% 2031	147	0.08
£129,000	Lloyds TSB Bank 6.375% 2014	131	0.07
£449,000	Lloyds TSB Bank 7.5% 2024	459	0.25
£449,000	Lloyds TSB Bank Var. Rate 2020	403	0.22
£400,000	London Stock Exchange Var. Rate 2016	368	0.20
£133,000	Marston's Issuer FRN 2027	104	0.06
£400,000	McDonalds 6.375% 2020	444	0.24
£400,000	Merrill Lynch 7.75% 2018	396	0.22
£480,000	MetLife 5.25% 2020	380	0.21
£400,000	Morgan Stanley 5.75% 2017	375	0.21
£260,000	Nationwide Building Society Var. Rate 2015	252	0.14
£400,000	Nordea Bank Var. Rate 2015	386	0.21
£165,000	PICTS 5.218% 2039	110	0.06
£459,000	Principal Financial 5.625% 2013	431	0.24
£400,000	Rolls Royce 7.375% 2016	438	0.24
£522,000	Royal Bank of Scotland 6.625% 2018	526	0.29
£300,000	RWE Finance 6.125% 2039	306	0.17
£175,000	Scottish & Southern 5.875% 2022	181	0.10
£200,000	Scottish Power 6.75% 2023	209	0.12
£300,000	Severn Trent Water 6% 2018	314	0.17
£686,000	Severn Trent Water 6.25% 2029	706	0.39
£369,000	Southern Electric Power 5.5% 2032	338	0.19
£241,000	Southern Water Services Finance 6.125% 2019	244	0.13
£291,000	SPI Electricity & Gas 7.125% 2018	314	0.17
£650,000	Standard Chartered Bank 7.75% 2018	674	0.37
£188,000	Stockland Finance 5.625% 2013	156	0.09
£210,000	T.H.F.C. Funding 6.35% 2039	213	0.12
£650,000	Telefónica Emisiones 5.375% 2026	594	0.33
£500,000	Tesco 5% 2023	457	0.25
£770,000	Tesco 5.5% 2033	716	0.39
£152,000	Tesco 6.125% 2022	156	0.09
£258,000	Tesco Property 7.6227% 2039	275	0.15
£153,000	Unilever 4.75% 2017	153	0.08
£156,000	Vattenfall Treasury 6.125% 2019	164	0.09
£600,000	Verizon Wireless Capital 8.875% 2018	733	0.40
£300,000	Vodafone Group 5.375% 2017	293	0.16
£700,000	Vodafone Group 5.625% 2025	676	0.37
£300,000	Vodafone Group 5.9% 2032	292	0.16
£622,000	Westfield Financial 5.5% 2017	502	0.28

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
		10.70	5.57
'BBB' credit rated bonds			
£500,000 Akzo Nobel 8% 2016	530	0.29	
£150,000 American International Group Var. Rate 2067	30	0.02	
£923,000 Anglo American Capital 6.875% 2018	860	0.47	
£476,000 Anheuser-Busch InBev 9.75% 2024	583	0.32	
£173,000 Aviva Var. Rate 2058	121	0.07	
£119,000 AXA Var. Rate Perp. (6.6666%)	76	0.04	
£326,000 AXA Var. Rate Perp. (6.6862%)	209	0.12	
£964,000 BAT International Finance 7.25% 2024	1,051	0.58	
£700,000 British Telecommunications 8% 2016	739	0.41	
£815,000 BSkyB Finance UK 5.75% 2017	812	0.45	
£775,000 Cadbury Schweppes 7.25% 2018	876	0.48	
£400,000 Compagnie de St. Gobain 5.625% 2016	359	0.20	
£150,000 Compagnie de St. Gobain 5.625% 2024	118	0.07	
£300,000 Compass 7% 2014	328	0.18	
£325,000 CRH 8.25% 2015	324	0.18	
£400,000 Experian Finance 5.625% 2013	401	0.22	
£450,000 Finmeccanica 8.00% 2019	481	0.26	
£300,000 FirstGroup 6.125% 2019	280	0.15	
£175,000 FirstGroup 8.125% 2018	191	0.11	
£227,000 Firstgroup 8.75% 2021	251	0.14	
£107,000 G4S 7.75% 2019	112	0.06	
£523,000 Gaz Capital 6.58% 2013	462	0.25	
£550,000 Glencore Finance Europe 6.5% 2019	399	0.22	
£295,000 Goodman Australia 9.75% 2018	193	0.11	
£250,000 Imperial Tobacco Finance 5.5% 2016	227	0.13	
£399,000 Imperial Tobacco Finance 8.125% 2024	402	0.22	
£1,384,000 Imperial Tobacco Finance 9% 2022	1,512	0.83	
£155,000 Lafarge 8.75% 2017	155	0.09	
£305,000 Marks & Spencer 5.875% 2012	307	0.17	
£184,000 MUFG Capital Finance Var. Rate Perp.	132	0.07	
£600,000 Next 5.875% 2016	578	0.32	
£60,000 Northumbrian Water 6% 2017	61	0.03	
£250,000 Northumbrian Water 6.875% 2023	264	0.15	
£300,000 Pearson 7% 2014	323	0.18	
£200,000 Pearson Funding 6% 2015	205	0.11	
£500,000 Pemex 8.25% 2022	489	0.27	
£83,000 RSA Insurance Var. Rate 2039	88	0.05	
£334,000 Siemens Financier. Var. Rate 2066	272	0.15	
£450,000 Société Générale Var. Rate 2019	317	0.17	
£110,000 South East Water 5.5834% 2029	98	0.05	
£220,000 Southern Gas Network 6.375% 2040	213	0.12	
£100,000 Standard Chartered Bank Var. Rate Perp.	91	0.05	

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
'BBB' credit rated bonds (continued)			
£125,769	Sutton Bridge Financing 8.625% 2022	133	0.07
£157,000	Telereal Securitisation 6.1645% 2033	105	0.06
£393,000	Thames Water Utilities Finance 5.125% 2037	314	0.17
£400,000	Thames Water Utilities Finance 6.5% 2032	397	0.22
£300,000	Thames Water Utilities Finance 6.75% 2028	309	0.17
£300,000	TNT 7.5% 2018	305	0.17
£350,000	Tomkins Finance 6.125% 2015	309	0.17
£330,000	Vector Group 7.625% 2019	325	0.18
£620,000	WPP Finance 6.375% 2020	496	0.27
£600,000	WPP Group 6% 2017	518	0.29
£373,000	Xstrata Canada Financial 7.375% 2020	331	0.18
£100,000	Yorkshire Power Finance 7.25% 2028	102	0.06
£250,000	Yorkshire Water Services 5.375% 2023	229	0.13
'B' credit rated bonds			0.07
£150,000	Bank of Scotland 12% 2013	120	0.07
Bonds with no credit rating			3.14
£420,000	Annington Repackaging No.1 5.3236% 2023	329	0.18
£215,000	BLD Property Holdings 6.125% 2014	191	0.11
£60,000	Blue Circle Industries 10.75% 2013	62	0.03
£80,000	British Land 5.264% 2035	57	0.03
£166,424	British Land 5.357% 2028	127	0.07
£84,000	British Land 5.357% 2028 (Bearer)	62	0.03
£75,000	British Land 6.75% 2011	75	0.04
£300,000	British Land 6.75% 2020 (Bearer)	272	0.15
£250,000	Brixton 6% 2019	158	0.09
£269,948	Business Mortgage Finance FRN 1.547% 2039	137	0.08
£149,109	Capital & Countries 5.562% 2027	101	0.06
£145,000	Chelsea Building Society Step-Up 2017	51	0.03
£159,000	Chelsea Building Society Var. Rate 2019	56	0.03
£240,000	Delamare Finance 6.067% 2029	173	0.10
£312,000	Hammerson 5.25% 2016	236	0.13
£214,000	Hammerson 6% 2026	135	0.07
£98,000	Hammerson 7.25% 2028	70	0.04
£450,000	Heineken 7.25% 2015	470	0.26
£365,000	Housing Finance 8.625% 2023	471	0.26
£828,000	John Lewis 8.375% 2019	893	0.49
£300,000	Lehman Brothers Holdings 7.875% 2018	45	0.02

Portfolio

Portfolio statement (continued)

as at 7 July 2009

Holding	Value £'000	07.07.09 %	07.01.09 ^[a] %
Bonds with no credit rating (continued)			
£100,000 Linde Finance 12.25% 2017	122	0.07	
£225,000 Peel South East 10% 2026	183	0.10	
£450,000 Reed Elsevier Investments 5.625% 2016	434	0.24	
£357,000 Safeway 6.125% 2018	382	0.21	
£150,000 Segro 6.75% 2024	107	0.06	
£300,000 Segro 7.125% 2010	298	0.16	
£150,000 Washington Mutual Bank 5.5% 2019	4	0.00	
Portfolio of investments	176,820	97.41	98.68
Net other assets	4,696	2.59	1.32
Net assets attributable to unitholders	181,516	100.00	100.00

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

Asset class split	Value £'000	07.07.09 %	07.01.09 %
Equities	92,749	51.13	59.10
Bonds	84,071	46.28	39.58
Net other assets	4,696	2.59	1.32
Net assets attributable to shareholders	181,516	100.00	100.00

Portfolio transactions

For the six months ended 7 July 2009

	2009	2008
Total purchases	69,105	46,853
Total sales	74,660	38,863

Financial statements (unaudited)

for the six months ended 7 July 2009

Statement of total return

	2009		2008 ^[a]	
	£'000	£'000	£'000	£'000
Income				
Net capital losses		(9,068)		(31,539)
Revenue	5,899		6,962	
Expenses	(724)		(992)	
Net revenue before taxation	5,175		5,970	
Taxation	(420)		(434)	
Net revenue after taxation		4,755		5,536
Total return before distributions		(4,313)		(26,003)
Finance costs: Distributions		(5,299)		(6,266)
Change in net assets attributable to unitholders from investment activities		(9,612)		(32,269)

[a] Restated. See note to the financial statements on page 18

Statement of change in unitholders' net assets

	2009		2008	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		194,005		248,691
Amounts received on issue of units	3,651		8,561	
Amounts paid on cancellation of units	(7,923)		(6,875)	
		(4,272)		1,686
Stamp Duty Reserve Tax (SDRT)		(12)		(20)
Change in net assets attributable to unitholders from investment activities (see above)		(9,612)		(32,269)
Retained distributions on Accumulation units		1,402		1,739
Unclaimed distributions		5		4
Closing net assets attributable to unitholders		181,516		219,831

The opening net assets attributable to unitholders for 2009 differs to the closing position in 2008 by the change in unitholders' net assets for the second half of the comparative financial year.

Financial statements (unaudited)

Balance sheet

	as at 7 July 2009		as at 7 January 2009	
	£'000	£'000	£'000	£'000
Assets				
Investment assets		176,820		191,447
Debtors	4,791		4,225	
Cash and bank balances	3,652		1,793	
Total other assets		8,443		6,018
Total assets		185,263		197,465
Liabilities				
Creditors				
Net distributions payable on Income units	(2,148)		(1,812)	
Other creditors	(1,599)		(1,648)	
Total liabilities		(3,747)		(3,460)
Net assets attributable to unitholders		181,516		194,005

Note to the financial statements

Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 7 January 2009. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008 (the IMA SORP 2008).

During the previous accounting period, the trust adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby transaction charges are now classified as capital losses. The effect of this is to reduce 'Expenses' by £2,000 (2008: £1,000), with a corresponding change in 'Net capital losses'.

EU savings directive

as at 7 July 2009

The percentage of the Prudential Distribution Trust held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is 41.51%.

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 August 2009

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

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.

Calls to Prudential are monitored and recorded to improve our service, and to assist investor protection.

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 Distribution 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

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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

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