

HENDERSON DIVERSIFIED INCOME TRUST PLC

Report for the Period to 30 April 2018



MANAGED BY

Janus Henderson
— INVESTORS —

Contents

Strategic Report

Performance Highlights	2
Business Model	3
Investment objective and policy	3
Risk	3
Management	3
Chairman's Statement	4-5
Performance	4
Dividend policy and dividends	4
Material events or transactions during the period	4
Board Change	4
Annual General Meeting	4
Outlook	5
Portfolio Information	6
Ten largest investments	6
Financial gearing levels	6
Synthetic gearing levels	6
Fund Managers' Report	7-8
Outlook	8
Investment portfolio	9-11
High yield bonds	9
Investment grade bonds	10
Asset backed securities	10
Preference stock	10
Secured loans	11
Historical Performance and Financial Information	12
Total return performance	12
Financial information	12
Dividend history	12
Director Biographies	13
Corporate Information	14-19
Registered office	14
Service providers	14
Independent auditor	14
Financial calendar	14
Information sources	14
Investing	14
Nominee share code	14
Status	15
Principal risks and uncertainties	15-17
Viability statement	18
Borrowing	18
Future developments	18
Key performance indicators	18
Responsible investment, voting policy and the UK stewardship code	19
Employees, social, community, human rights and environmental matters	19
Bribery Act	19
Criminal Finances Act	19
Modern Slavery	19
Board diversity and experience	19
Glossary	20-21
Alternative Performance Measures	22

Corporate Report

Report of the Directors	24-25
Statement of Directors' Responsibilities	26
Directors' Remuneration Report	27-28
Corporate Governance Statement	29-32
Report of the Audit Committee	33-35
Independent Auditor's Report to the Members of Henderson Diversified Income Trust plc	36-40
Statement of Comprehensive Income	41
Statement of Changes in Equity	42
Statement of Financial Position	43
Cash Flow Statement	44
Notes to the Financial Statements	45-59
General Shareholder Information	60-IBC

Strategic Report

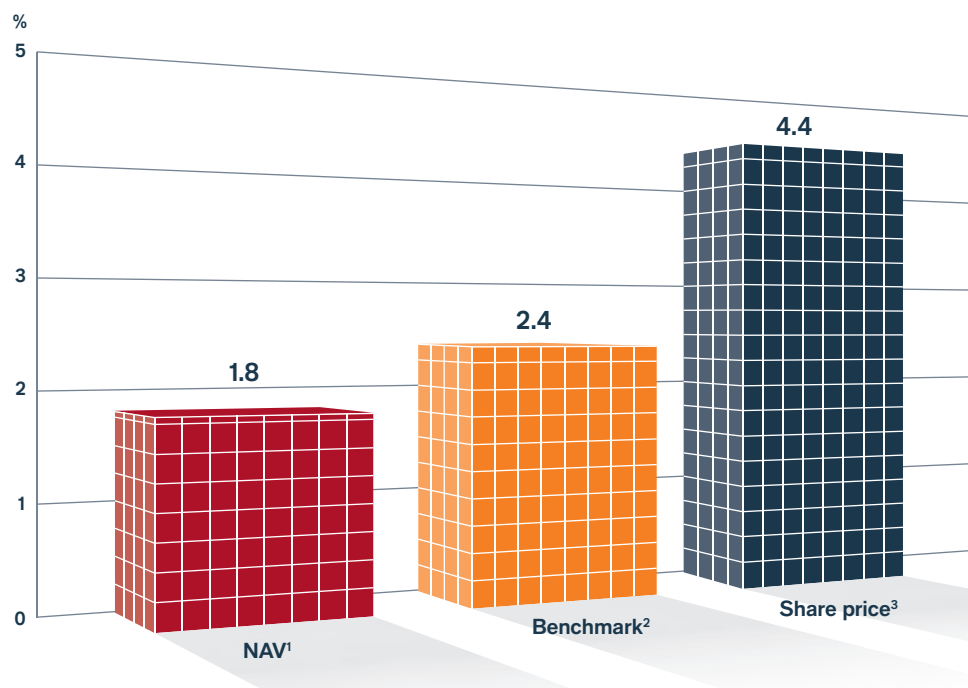
“The Fund Managers have been consistent in their belief that the probability of significant increases in rates is less than the market had forecast. It is important for shareholders to understand that this scepticism about cyclical change in either growth or inflation is a carefully considered judgement of the Fund Managers which is not shared by many market participants. In this view they have to date been proved correct, to the benefit of shareholders.”

Angus Macpherson, Chairman

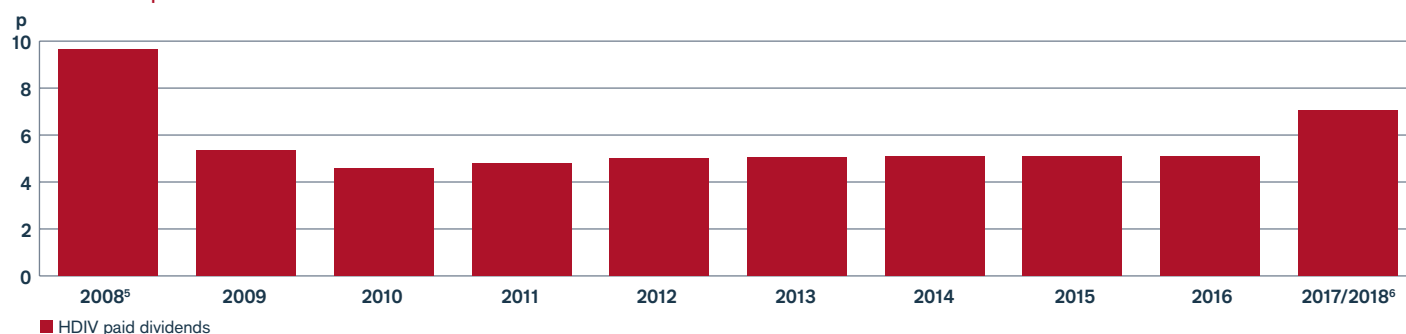


Strategic Report: Performance Highlights

Total return performance for year to 30 April 2018



Dividend per share⁴



Premium/(discount) to NAV for the year



1 Net asset value ('NAV') total return (including dividends reinvested and excluding transaction costs)

2 The benchmark is the average return on a rolling annual basis of three month sterling Libor plus 2%

3 The share price total return using mid-market closing price

4 Dividends in respect of periods prior to 27 April 2017 were paid by the predecessor company, Henderson Diversified Income Limited

5 In the 2008 financial year, five interim dividends were paid over a 15 month period totalling 9.65p

6 During 2017/2018, the Company changed its year end to 30 April following the redomicile to the United Kingdom and six dividends relate to the 18 month period from 1 November 2016 to 30 April 2018, comprising two dividends totalling 2.5p from Henderson Diversified Income Limited and four interest distributions from Henderson Diversified Income Trust plc totalling 4.55p

Strategic Report: Business Model

Investment objective and policy

The Company's investment objective is to seek income and capital growth such that the total return on the net asset value of the Company exceeds the average return on a rolling annual basis of three month sterling Libor plus 2%.

The Company aims to deliver this outcome by investing in a diversified portfolio of global fixed and floating rate income asset classes including secured loans, government bonds, high yield (sub-investment grade) corporate bonds, unrated corporate bonds, investment grade corporate bonds and asset backed securities. The Company may also invest in high yielding equities and derivatives.

The Company uses a dynamic approach to portfolio allocation across asset classes and is permitted to invest in a single asset class if required. The Company seeks a sensible spread of risk at all times. It can invest in assets of any size, sector, currency or issued from any country.

The Company has adopted the following allocation limits:

- secured loans 0 to 100% of gross assets
- government bonds 0 to 100% of gross assets
- investment grade bonds 0 to 100% of gross assets
- high yield corporate bonds 0 to 100% of gross assets
- unrated corporate bonds 0 to 10% of gross assets
- asset backed securities 0 to 40% of gross assets
- high yielding equities 0 to 10% of gross assets

As a matter of policy, the Company will not invest more than 10% in aggregate of its net assets in a single issue or issuer.

The Company may use financial instruments known as derivatives to enhance returns. They may also be used to reduce risk or to manage the Company's assets more efficiently. The use of derivatives may include credit derivatives (including credit default swaps) in addition to interest rate futures, interest rate swaps and forward currency contracts. The credit derivatives, interest rate futures and swaps are used to take a synthetic exposure to, or to hedge, an investment position where the derivative contract is more efficient or cost effective than a position in the underlying physical asset. The Company's exposure to derivatives is capped at a maximum net long or net short position of 40% of net assets. The Company may also employ financial gearing for efficient portfolio management purposes and to enhance investment returns but total gearing (both financial gearing and synthetic gearing combined) may not exceed 40% of net assets. Forward currency contracts are used to hedge other currencies back to sterling.

Any material change to the investment policy of the Company will only be made with the approval of shareholders.

Risk

For more information about the Company's principal risks please see pages 15 to 17.

Management

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). The Company has appointed Henderson Investment Funds Limited ('HIFL') to act as its Alternative Investment Fund Manager in accordance with an agreement which was effective from 3 March 2017 and may be terminated on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited. Both entities are authorised and regulated by the Financial Conduct Authority ('FCA'). References to Janus Henderson and the Manager within this report refer to the services provided by both entities.

Janus Henderson and its subsidiaries provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of Janus Henderson, by BNP Paribas Securities Services. Hannah Gibson ACIS acts as Company Secretary on behalf of the Corporate Secretary, Henderson Secretarial Services Limited.

Janus Henderson receives a management fee of 0.65% per annum, calculated and paid quarterly in arrears on the value of the Company's net assets.

Strategic Report: Chairman's Statement



The Chairman of the Company, Angus Macpherson, reports on the period to 30 April 2018

This is the first full report to shareholders since your Company was redomiciled to the United Kingdom from Jersey. Consequently, we are publishing this report for the period from incorporation to 30 April 2018. As the Company did not hold any assets or earn any income prior to 27 April 2017 when its shares were admitted for trading following the transfer of assets and liabilities from the predecessor company, these audited results principally reflect the period 27 April 2017 to 30 April 2018.

Performance

The net asset value total return per ordinary share for the year ended 30 April 2018 was 1.8% whilst the share price total return per ordinary share was 4.4% reflecting a widening in the premium to net asset value at which the ordinary shares trade.

This weak return reflected market conditions which were to some extent evident: as I commented in the outlook in the interim report "there are obvious, potentially disruptive, political and economic threats". As the Fund Managers report, volatility increased substantially after the interim report.

I would also like to take this opportunity to remind you that the year-end of your Company is 30 April, which is different to the predecessor Jersey domiciled company, Henderson Diversified Income Limited, which had a year-end of 31 October.

Dividend policy and dividends

On 7 September 2017 the Board announced its intention to rebase the dividend to no less than 1.10p per ordinary share on a quarterly basis, effective from the dividend payable in December 2017. This represented a reduction of 12% in the quarterly dividend and assumes that there is not a further significant fall in market yields. This dividend target takes into account the revenue benefits to the Company of the revised fee arrangements described below and the cost reductions arising from the re-domicile of the Company into the UK.

On 30 March 2018 a third interim dividend of 1.10p per ordinary share for the period ended 30 April 2018 was paid. A fourth interim dividend of 1.10p per ordinary share for the period ended 30 April 2018 was declared on 30 May 2018 and was paid to shareholders on 29 June 2018. These dividends have been paid as interest distributions for UK tax purposes. More information about interest distributions can be found on the Company's website: www.hendersondiversifiedincome.com.

Material events or transactions during the period

As previously announced, the Board undertook a formal review of the management fee arrangements in September 2017 and mutually concluded that a performance fee was no longer appropriate in this low yielding environment. With effect from 1 November 2017 the performance fee was removed. The eighteen month performance period to 30 April 2018 was truncated at this point. The final performance fee payable under this arrangement was equivalent to 0.53p per share or 0.60% of NAV.

It was further agreed that the base management fee be increased from 0.60% to 0.65%. In effect, from 1 November 2017 the annual management fee payable has been capped at 0.65% of the Company's net assets as opposed to 1.20%. I would remind shareholders this is the third downward revision to management fees since the company was first launched in 2007 and the Board would like to thank Janus Henderson for their collaborative approach to ensuring the management fees evolve with best market practice.

The Board has authority to allot up to 100 million New Shares, in aggregate, under the Share Issuance Programme detailed in the Company's Prospectus dated 3 March 2017. In the period 23 February 2017 to 30 April 2018 the Company has issued a further 7,425,000 ordinary shares. As at 30 April 2018 the Company's issued share capital was 189,618,240 ordinary shares.

Whilst demand for the shares continues to be strong, your Board will only issue shares at a premium to net asset value, thereby giving shareholders a modest uplift in the net asset value per ordinary share, improved liquidity in the shares and the fixed costs spread over a wider shareholder base, and where the Fund Managers are confident that the proceeds can be invested at a yield no less than the average yield on the portfolio. Between 1 May 2018 and 9 July 2018, no new ordinary shares have been issued.

Board Change

On 30 April 2018 Roderick Davidson resigned as a non-executive Director of the Company. Rod, who joined the Board on 23 February 2017, accepted the unanticipated offer of a role which might represent a conflict of interest with his role as a member of the Board. Correctly he took the decision to stand down from the Board. I thank him for his contribution, albeit brief, to the Company.

Annual General Meeting ('AGM')

The Company's first AGM will be held at Janus Henderson's offices, 201 Bishopsgate, London EC2M 3AE on Tuesday 21 August 2018 at 11.30 am. Full details of the business to be conducted at the meeting are set out in the Notice of Meeting which has been sent to shareholders with this report. Directions and a map showing the location of the AGM can also be found in the Notice of Meeting. At the AGM, John Pattullo and Jenna Barnard will present their investment views and how these are reflected in the portfolio. Following the formal business of the meeting light refreshments will be served. The Board looks forward to seeing many of you at the AGM. For those that cannot attend the AGM in person the AGM will be live streamed on the internet at www.janushenderson.com/trustslive.

Strategic Report: Chairman's Statement (continued)

Outlook

The Fund Managers have been consistent in their belief that the probability of significant increases in rates is less than the market had forecast. It is important for shareholders to understand that this scepticism about cyclical change in either growth or inflation is a carefully considered judgement of the Fund Managers which is not shared by many market participants. In this view they have to date been proved correct, to the benefit of shareholders.

Should the facts change, and the Fund Managers not be able to anticipate or recognise this change in time, there is the potential for significant volatility in the value of the portfolio. The Board is comfortable with the potential downside this view entails since in our view active investment management to generate excess return by necessity involves taking such risks. It is important however that shareholders recognise these risks exist.

The Fund Managers' core assumption is that in the immediate future actual default risk will remain low but that risk more generally may be repriced by the market. In such circumstances there will potentially be some downside risk to capital.

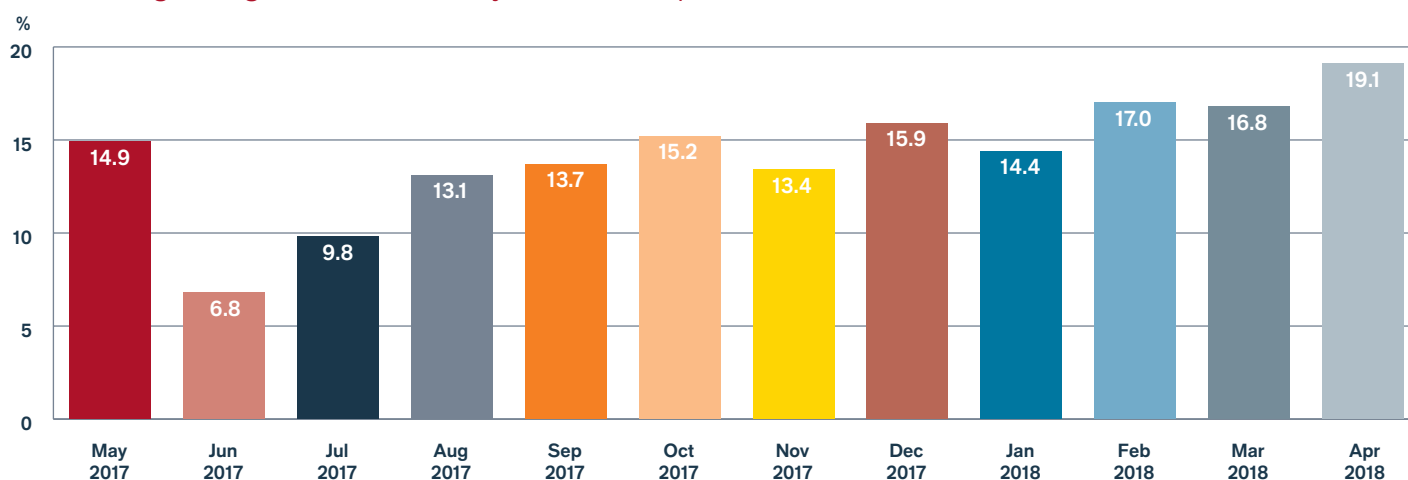
Angus Macpherson
Chairman
9 July 2018

Strategic Report: Portfolio Information

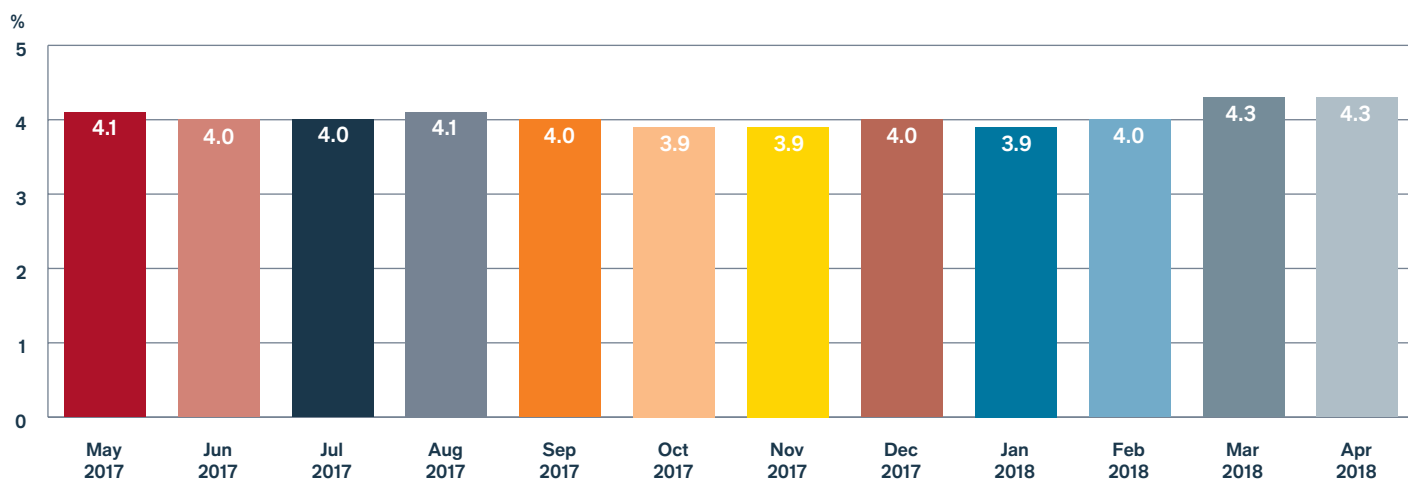
Ten largest investments at 30 April 2018

Ranking 2018	Investment	Principal activities	Type of investment	Geographical area	Valuation £'000	% of portfolio
1	Tesco	Food	High yield bond/Asset backed security	UK	4,733	2.40
2	Ardagh	Packaging & containers	High yield bond	Ireland	4,196	2.13
3	Aramark	Food service	High yield bond	US	4,139	2.10
4	Iron Mountain	Commercial services	High yield bond	US	4,134	2.09
5	PGH Capital	Insurance	Investment grade bond	UK	4,100	2.08
6	Nationwide Building Society VAR Perpetual	Banks	Equity	UK	4,043	2.05
7	HCA	Consumer, Non-Cyclical	High yield bond	US	4,038	2.05
8	CPUK Finance	Diversified financial services	High yield bond	UK	4,023	2.04
9	Co-Operative Group	Food	High yield bond	UK	3,991	2.02
10	Barclays	Banks	High yield bond	UK	3,940	2.00

Financial gearing levels over the year to 30 April 2018



Synthetic gearing levels over the year to 30 April 2018



Source: Janus Henderson

Strategic Report: Fund Managers' Report



The Fund Managers of the portfolio, John Pattullo and Jenna Barnard report on the year to 30 April 2018

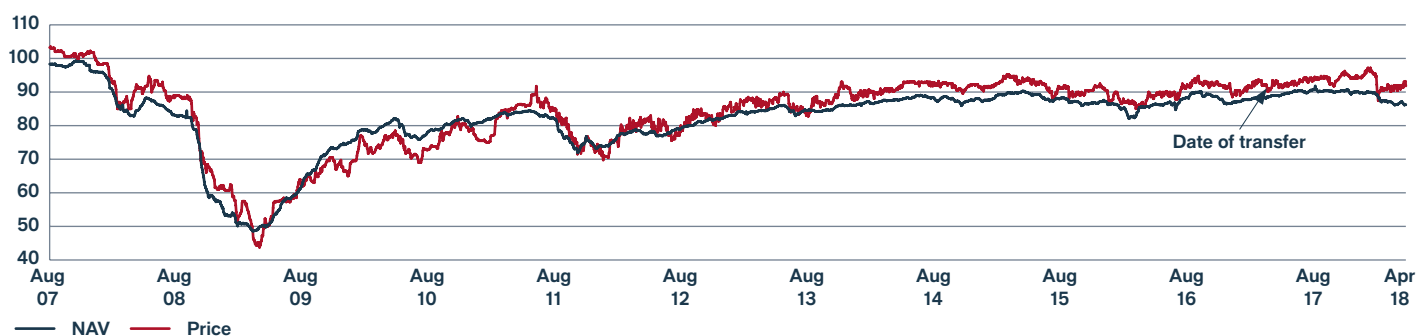
Over the period under review, the Company produced a modest positive net asset value total return of 1.8% reflecting a continued healthy income stream offset by a 2% erosion of the capital value of the assets in which we invest. A number of factors are serving to make capital preservation more challenging. Firstly, we are in the late stages of the current global business and credit cycle dating back to 2009 in which valuations in credit markets became increasingly stretched, culminating in a record low yield of 1.9% for European high yield bond index in November 2017. In addition, over the course of 2018 a much more risk averse attitude from investors has emerged as it became clear that global liquidity conditions are tightening and market volatility across many asset classes is rising. The US Federal Reserve has been tightening global monetary conditions through the combination of interest rates rises, a policy of "quantitative tightening" (selling back bonds bought during the crisis) and as a result, a much stronger US dollar. The combination has meant that investors demand an ever rising level of yield for taking equivalent risk in credit markets. It should be noted that it was in the environment of close to record low corporate bond and loan yields that, in late 2017 the decision was taken to rebase the dividend from 1.25p per quarter to 1.10p.

The decline in net asset value per ordinary share equated to a 2% reported loss of capital over this period but it is perhaps helpful for shareholders to place this movement in a broader context. As shown in the graph below, since mid-2014 the NAV of the Company has essentially tracked sideways whilst the Company's share price has traded at a premium to this NAV reflecting the relatively high income generated by the assets in which we are invested. The lack of capital growth is reflective of the sharp recovery in credit markets in the period 2009-2013 and a subsequent period of consolidation

(interrupted by a commodity crash in late 2015). As a result income has provided the primary driver of returns over this period. Our focus on high quality companies has meant that we have had no defaults and continue to focus on lending to those high quality companies with sustainable and predictable cash flows. By definition this means we avoid the more cyclical industrial, commodity and retail companies that tend to disappoint in good economic times as well as bad and would have dented the NAV performance further. Looking forward we are increasingly cautious as to whether this relative stability of the capital performance can persist. This is not to say that we expect defaults amongst the companies that we lend money to but rather, that the market price of these bonds may well decline should volatility continue to increase. Our investment approach seeks to dampen this risk through credit selection but cannot be immune.

The reduction in the dividend was a marked contrast to previous years and needs more explanation. In essence, this move reflected our view on the yields available in the market at the time of the reduction (December 2017). We felt that in order to have continued paying the same level of dividend, as fund managers we would have been forced to compromise either on the quality of companies that we lend money to or to have increased the gearing of the Company. Neither of these options felt sensible given that we are in the late stages of an economic cycle. This move was not undertaken lightly given that the primary attraction of the Company for its shareholders is income. It is perhaps worth mentioning that at the time of this reduction we also reduced the total management fees of the Company for its shareholders by scrapping the performance fee entirely.

HDIV Price and NAV performance



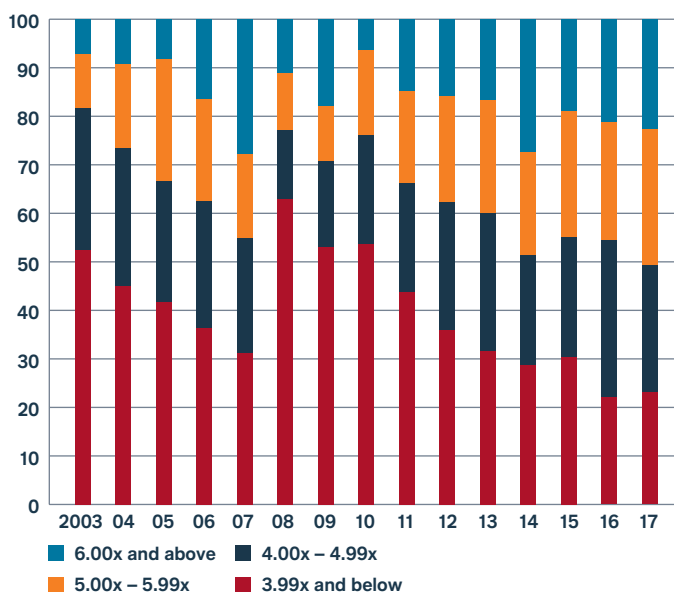
Source: Bloomberg, as at 30 April 2018

Note: Past performance is not a guide to future performance

Strategic Report: Fund Managers' Report (continued)

The investing environment was benign in the first half of the year to 30 April 2018 but volatility became more challenging in the second six month period. This reflected developments in non-credit markets: an equity volatility spike in early February 2018, a rapid rise in short dated US government bond yields and sharp depreciations in emerging market currencies to name a few. Fundamental changes in corporate bond and loan markets moved at a more glacial pace. We continued to spend much time thinking about the disruption of industries driven by technological change and a more austere consumer environment in many countries. In addition, elements of the credit market suggest a build-up in leverage which requires us to be vigilant to the risks. For example, and as shown in the graphs below, lower quality investment grade bonds as a % of the market and the leverage levels in the syndicated loan market. Typically however, a rise in default rates requires a sharp economic downturn or commodity crash something which it is difficult to see with more than a six month window.

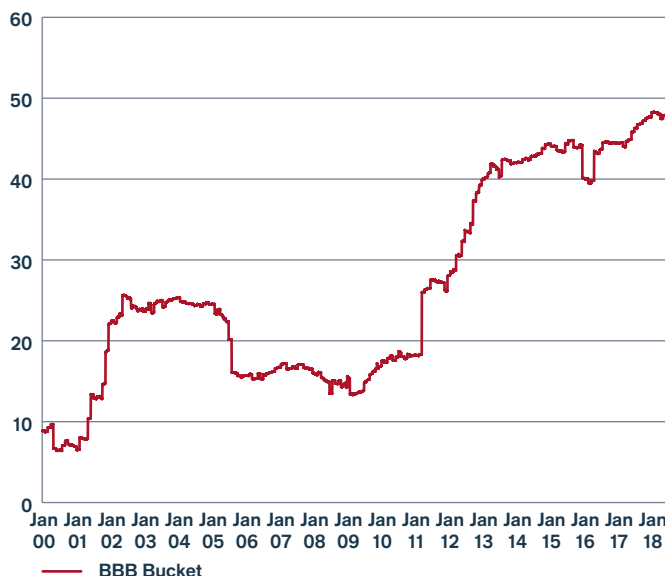
Global leveraged loan issuance to large corporates by debt to earnings ratio



Source: Bank of England, as at April 2018

The asset allocation remains focused on high yield bonds, with 10% in floating rate loans and around 24% in investment grade bonds. The preponderance of fixed rate coupon bonds and a relatively low floating rate element reflects our scepticism that we are entering a regime shift for growth or inflation. It also reflects the fact that current interest rates in the UK & Continental Europe remain relatively unattractive. The recent backtracking by the Bank of England on a hike which had been fully priced for May 2018 highlights how difficult it has been for most central bankers in the developed world to follow the Federal Reserve in a more 'normal' hiking cycle. The current guidance from the Bank of England of three hikes over three years is hardly more credible, given how limited such moves are and the inherent lack of visibility over such a medium term horizon.

European IG Index rating weights



Source: Credit Suisse, as at May 2018

Outlook

The broad outlook remains unchanged from our semi-annual commentary whereby we continue to feel that the economic cycle in the UK and US feels relatively late stage whereas Continental Europe is still in its earlier stages for now (albeit with many structural fragilities). A flattening yield curve in the US government bond market is a warning signal to the Federal Reserve that their rate hikes are affecting the longer term growth and inflation outlook negatively. Meanwhile, rising US interest rates are beginning to cause problems for lower quality emerging market borrowers, suggesting that liquidity conditions are tightening. This is also reflected in the synchronised downturn in residential property prices in many global cities. At present this doesn't translate into a direct increase in default rates, but rather a rise in market volatility, effectively a repricing of risk by investors. We are currently comfortable that our gross income can be maintained but we must remain vigilant to any further changes in conditions.

John Pattullo and Jenna Barnard
Fund Managers
9 July 2018

Strategic Report: Investment Portfolio

as at 30 April 2018

High yield bonds

These bonds are considered more risky than investment grade bonds and as a result have to pay much higher coupons to attract investors. They generally mature in ten years or less and are less sensitive to interest rate changes than other bonds. They are rated below BBB- (by Standard & Poor's, Moody's or a similar recognised rating agency). This rating signifies a higher risk of default compared to an investment grade bond.

Investment	Currency	Country	Industry	Market value £'000	% of portfolio
Ardagh	Euro/\$	Ireland	Industrial	4,196	2.13
Aramark	\$	US	Consumer, Cyclical	4,139	2.10
Iron Mountain	£/\$	US	Financial	4,134	2.09
HCA	\$	US	Consumer, Non-Cyclical	4,038	2.05
CPUK Finance	£	UK	Consumer, Cyclical	4,023	2.04
Co-Operative Group	£	UK	Food	3,991	2.02
Barclays	£/\$	UK	Banks	3,940	2.00
IMS	\$	US	Consumer, Non-Cyclical	3,795	1.92
Royal Bank of Scotland	\$	UK	Banks	3,783	1.92
Zayo	\$	US	Communications	3,764	1.91
Virgin Media	£	UK	Communications	3,747	1.90
Credit Suisse	\$	Switzerland	Financial	3,717	1.88
UBS	\$	Switzerland	Financial	3,674	1.86
Telenet Finance	Euro	Luxembourg	Communications	3,612	1.83
Cott	\$	Canada	Consumer, Non-Cyclical	3,563	1.80
Unity Media	Euro/\$	Germany	Communications	3,496	1.77
Sirius	\$	US	Communications	3,491	1.77
T-Mobile	\$	US	Communications	3,453	1.75
Boyd	\$	US	Consumer, Cyclical	3,436	1.74
Tesco	£	UK	Consumer, Non-Cyclical	3,189	1.62
Lloyds Group	\$/£	UK	Financial	3,155	1.60
ING	\$	Netherlands	Financial	2,989	1.51
Lamb	\$	US	Consumer, Non-Cyclical	2,958	1.50
Match	\$	US	Communications	2,675	1.35
International Game Technology	\$	US	Consumer, Cyclical	2,586	1.31
Catalent	\$	US	Consumer, Non-Cyclical	2,573	1.30
Reynolds	\$	New Zealand	Industrial	2,487	1.26
Equinix	Euro/\$	US	Financial	2,479	1.26
Post	\$	US	Consumer, Non-Cyclical	2,473	1.25
Prime	\$	US	Consumer, Non-Cyclical	2,326	1.18
BNP Paribas	\$	France	Financial	2,298	1.16
Service Corp	\$	US	Consumer, Non-Cyclical	2,045	1.04
First Data	\$	US	Technology	1,815	0.92
SIG	Euro	Luxembourg	Industrial	1,724	0.87
Bank of Ireland	\$	Ireland	Financial	1,614	0.82
KFC	\$	US	Consumer, Cyclical	1,509	0.76
Silgan	\$	US	Industrial	1,496	0.76
1011778	\$	Canada	Consumer, Non-Cyclical	1,464	0.74
IPD	Euro	Netherlands	Consumer, Non-Cyclical	1,277	0.65
CCO	\$	US	Communications	1,227	0.62
Infor	\$	US	Technology	1,113	0.56
Crown	\$	US	Industrial	1,083	0.55
Santander	£	UK	Financial	815	0.41
Sigma	Euro/\$	Netherlands	Consumer, Non-Cyclical	716	0.36
Citigroup	\$	US	Financial	551	0.28
IHS	\$	US	Consumer, Non-Cyclical	526	0.27
Tele Columbus	Euro	Germany	Communications	524	0.26
Lions Gate	\$	US	Financial	478	0.24
Syngenta	\$	Canada	Basic Materials	452	0.23
Hilton	\$	US	Consumer, Cyclical	406	0.20
EMC	\$	US	Technology	390	0.20
Samsonite	Euro	Luxembourg	Consumer, Cyclical	327	0.16
Ball	\$	US	Industrial	135	0.07
Sealed Air	\$	US	Industrial	122	0.06
Total high yield bonds				125,989	63.81

Strategic Report: Investment Portfolio

as at 30 April 2018 (continued)

Investment grade bonds

These bonds pay a higher rate of interest than government bonds, known as the spread, to reflect the higher risk. Investment grade bonds are at the lower risk/lower return end of the corporate bond market and are typically issued by blue chip companies. They are rated BBB- and above (by Standard & Poor's, Moody's or a similar recognised rating agency). This rating signifies that historically such bonds suffer relatively low rates of default.

Investment	Currency	Country	Industry	Market value £'000	% of portfolio
PGH Capital	£	UK	Financial	4,100	2.08
Prudential	\$/£	UK	Financial	3,905	1.98
Wachovia	\$	US	Financial	3,649	1.85
Standard Life	£	UK	Financial	3,502	1.77
Aviva	£	UK	Financial	2,958	1.50
Diamond	\$	US	Technology	2,752	1.39
TP	£	UK	Financial	2,622	1.33
Orange	£	France	Communications	2,444	1.24
HSBC	£/\$	UK	Financial	2,359	1.19
BUPA	£	UK	Financial	2,344	1.18
Bacardi	\$	Bermuda	Consumer, Non-Cyclical	1,767	0.89
Verizon Communications	\$/AUD	US	Communications	1,711	0.87
Crown	\$	US	Financial	1,565	0.79
Legal and General	£	UK	Financial	1,555	0.79
Scottish Widows	£	UK	Financial	1,499	0.76
Annington Funding	£	UK	Financial	1,260	0.64
Reynolds	\$	New Zealand	Consumer, Non-Cyclical	1,144	0.58
AT&T	\$	US	Communications	1,113	0.56
Co-Operative Rabobank	£	UK	Financial	1,099	0.56
Friends Life	£	UK	Financial	809	0.41
Salesforce	\$	US	Technology	575	0.29
Pernod-Ricard	\$	France	Consumer, Non-Cyclical	492	0.25
Axa	£	France	Financial	420	0.21
VMware	\$	US	Technology	390	0.20
CVS	\$	US	Consumer, Non-Cyclical	152	0.08
Total investment grade bonds				46,186	23.39

Asset backed securities

Investment	Currency	Country	Industry	Market value £'000	% of portfolio
Tesco Property Finance	£	UK	Food	1,544	0.78
Total asset backed securities				1,544	0.78

Preference stock

Investment	Currency	Country	Industry	Market value £'000	% of portfolio
Nationwide Building Society VAR Perpetual	£	UK	Banks	4,043	2.05
Total preference stock				4,043	2.05

Strategic Report: Investment Portfolio

as at 30 April 2018 (continued)

Secured loans

These are loans entered into by companies and are typically at the most senior level of the capital structure, and are often secured by specific collateral including, but not limited to, trademarks, patents, accounts receivable, stock, equipment, buildings, real estate, franchises and the ordinary and preferred shares of the obligor and its subsidiaries. They are generally issued to finance internal growth, acquisitions, mergers, or share purchases. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness would be judged by the rating agencies to be below investment grade. Some secured loans may be subordinated to other obligations of the borrower. Secured loans are not listed, but are, in normal market conditions, readily bought and sold. In periods of market turbulence, however, the liquidity of the market for such investments may be reduced.

Investment	Currency	Country	Industry	Market value £'000	% of portfolio
Warner	\$	US	Consumer, Cyclical	2,450	1.24
Formula One	\$	UK	Consumer, Cyclical	2,375	1.20
Eircom	Euro	Ireland	Communications	2,341	1.19
McAfee	\$	US	Technology	1,649	0.84
Hensoldt	Euro	Germany	Industrials	1,345	0.68
Refresco	\$	Netherlands	Consumer, Non-Cyclical	1,251	0.63
Flora	£	Netherlands	Consumer, Non-Cyclical	1,190	0.60
Delachaux	£/\$	France	Industrials	1,093	0.55
SS&C	\$	US	Technology	1,062	0.54
First Data	\$	US	Technology	896	0.45
Vantiv	\$	US	Financial	869	0.44
Berry	\$	US	Industrials	869	0.44
Hilton	\$	US	Consumer, Cyclical	752	0.38
Misys	\$	US	Technology	667	0.34
Froneri	£	UK	Consumer, Non-Cyclical	541	0.28
Sigma	\$	Netherlands	Consumer, Non-Cyclical	327	0.17
Total secured loans				19,677	9.97
Total investments				197,439	100.00

Strategic Report: Historical Performance and Financial Information

The year-end of your Company is 30 April, which is different to the predecessor company which had a year-end of 31 October. Consequently, we are publishing this report for the period 23 February 2017 to 30 April 2018. As the Company did not hold any assets or earn any income prior to 27 April 2017 when its shares were admitted for trading following the transfer of assets and liabilities from the predecessor company, these results principally reflect the period 27 April 2017 to 30 April 2018.

The Directors believe that it is important to report the long-term historic performance of the predecessor company alongside the Company's performance. The Company is effectively, a mirror image of the predecessor company. As at 27 April 2017 the shareholders in the Company were the same as the shareholders in the predecessor company and each held the same number of Ordinary Shares in the Company as they held in the predecessor company as at 25 April 2017.

The financial information and performance data reported below for periods prior to 27 April 2017 are in respect of the predecessor company.

Total return performance

	1 year %	3 years %	5 years %
NAV	1.8	14.0	33.8
Share price	4.4	14.9	37.7
Benchmark ¹	2.4	7.6	11.9

Source: Morningstar Direct

¹ The benchmark is the average return on a rolling annual basis of three months sterling Libor plus 2%

Financial information¹

Date	Net assets £'000	NAV p	Share price p	Premium/(discount) %
30 April 2014	115,567	89.4	92.0	2.9
30 April 2015	145,398	90.8	94.0	3.5
30 April 2016	146,367	87.9	89.0	1.2
30 April 2017 ²	162,768	89.3	91.3	2.2
30 April 2018	165,799	87.4	91.8	5.0

¹ Financial information for all previous periods is sourced from the half year updates of the predecessor Company, with the exception of 30 April 2017 which is sourced from the Association of Investment Companies ('AIC')

² Source: AIC

Dividend history

Date	Pence per share
Year-ended 31 October 2014	5.10
Year-ended 31 October 2015	5.10
Year-ended 31 October 2016	5.10
Period to 26 April 2017 ¹	2.50
Period to 30 April 2018	4.55

¹ Comprises the interim dividends which were declared and paid by the predecessor company prior to its summary winding up

Strategic Report: Director Biographies

Directors

The Directors appointed to the Board at the date of this report are:

Angus Macpherson

Position: Chairman of the Board and of the Nominations and Management Engagement Committees

Date of appointment: 23 February 2017

Angus is Chief Executive of Noble & Company (UK) Limited. He is also a Director of Pacific Horizon Investment Trust plc and a Member of the Scottish Government's Financial Services Advisory Board. Previously he worked for Merrill Lynch in London, New York, Singapore and Hong Kong, latterly as Head of Capital Markets and Financing in Asia. He was also Chairman of JP Morgan Elect PLC until January 2018 and the Chairman of the Belhaven Hill School Trust Ltd.

Ian Wright

Position: Chairman of the Audit Committee

Date of appointment: 23 February 2017

Ian is a Commissioner of the Jersey Financial Services Commission and Chairman of its Audit Committee. He is also a Panel Member of the Financial Reporting Review Panel which is part of the UK Financial Reporting Council, a Member of the States of Jersey Audit Committee and a Policeman in the Parish of St. Brelade. He is a Chartered Accountant. Previously he was an audit partner in Price Waterhouse and then PricewaterhouseCoopers including serving as the Senior Partner of the firm's international accounting consulting group. A founder member of the IFRS Interpretations Committee he has also served on professional committees of the ICAEW and FEE. He is resident in Jersey having previously worked in the Channel Islands, London and Bahrain.

Denise Hadgill

Position: Director

Date of appointment: 23 February 2017

Denise was, until 2015, Head of the UK Product Strategy group at BlackRock and was responsible for delivering the firm's investment message and economic outlook to an extensive range of UK pension fund and charity trustee boards. Prior to this she spent 14 years at Schroder Investment Management Limited where she was UK Equity Fund Manager and Director responsible for the firm's relationship with 21 UK Pension Fund and Charity clients with multi asset portfolios valued at £2 billion.

Stewart Wood

Position: Director

Date of appointment: 23 February 2017

Stewart became a Labour member of the House of Lords in 2011. He was Shadow Minister without Portfolio and a strategic adviser to Ed Miliband, Leader of the Labour Party, from 2010 to 2015. Prior to that he was a special adviser to the Chancellor of the Exchequer on the UK Treasury's Council of Economic Advisers from 2001 to 2007, during which time he led on the assessment for UK entry into the Euro. He then served as Senior Special Adviser on foreign affairs, culture and media policy, and Northern Ireland between 2007 and 2010. After the 2010 General Election, he led Ed Miliband's successful campaign for the Labour leadership. In 2016, he was named as the new Chair of the United Nations Association (UK), and appointed to the Board of the Marshall Scholarships Commission. He is also one of the inaugural members of the new House of Lords Committee on International Affairs, and frequently gives talks to companies and conferences on topics including Brexit, the Future of the EU and German politics. He is a Professor of Practice at the Blavatnik School of Government in Oxford University.

Roderick Davidson resigned as a Director on 30 April 2018.

All Directors are independent of Janus Henderson and are members of the Nominations, Management Engagement, Insider and Audit Committees.

Strategic Report: Corporate Information

Registered office

201 Bishopsgate
London
EC2M 3AE

Service providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London
EC2M 3AE

Depository and Custodian

BNP Paribas Securities Services (London Branch)
10 Harewood Avenue
London
NW1 3AE

Stockbrokers

JPMorgan Cazenove Limited
25 Bank Street
London
E14 5JP

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London
EC2M 3AE

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Independent auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Financial calendar

Financial year-end	30 April
Annual results	Announced in July 2018
Annual General Meeting ¹	21 August 2018
1st interim dividend payable on	28 September 2018
Half year results	Announced December 2018
2nd interim dividend payable on	28 December 2018
3rd interim dividend payable on	29 March 2019
4th interim dividend payable on	28 June 2019

¹ At the Company's registered office at 11.30 am

Information sources

For more information about the Company, visit the website at **www.hendersondiversifiedincome.com**

HGi

HGi is a content platform provided by Janus Henderson that offers online personalisation where you can 'follow' investment experts, topics and the trusts that are of interest to you. By creating your HGi profile you will be updated regularly on the topics that interest you most, bringing you closer to Janus Henderson's investment expertise.

Scan the QR code or use this short URL to register for HGi. <http://HGi.co/rb>



Follow us on Twitter, YouTube and Facebook

For alternative access to Janus Henderson's insight you can now follow us on Twitter, YouTube and Facebook.



Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website. Individuals holding shares through Halifax Share Dealing Limited can write to them at Lovell Park Road, Leeds LS1 1NS or contact them via telephone 03457 225 525, email **customercare.HSDL@halifax.co.uk** or visit their website **www.halifax.co.uk/sharedealing**.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Investors via Halifax Share Dealing receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Strategic Report: Corporate Information (continued)

Status

The Company is registered as a public limited company and is an investment trust as defined under section 833 of the Companies Act 2006 (the 'Act'). It has been approved as an investment company under sections 1158/1159 of the Corporation Tax Act 2010 ('Section 1158'), as amended, and is a member of the Association of Investment Companies ('AIC').

The Directors are of the opinion that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company maintains a primary listing on the London Stock Exchange and is subject to the Listing, Prospectus and Disclosure Guidance and Transparency Rules published by the UKLA. The Company is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

Principal risks and uncertainties

The Board has carried out a robust assessment of the risks and uncertainties facing the Company with the assistance of the Company Secretary and the Manager. The following summary identifies those risks and uncertainties that the Board believes are the most significant and explains whether, and if so how, they are mitigated.

The Company is an Investment Trust and the Board is wholly non-executive. The Board has delegated many of its functions to third party service suppliers including Janus Henderson and BNP Securities Services ('BNP'). However, certain risks and functions cannot be delegated and are retained by the Board.

The Board has analysed risk from the perspectives of the markets in which it invests and its operations.

Principal market risks

The Board has agreed with the Manager that it seeks an average total return on a rolling three month basis of Libor + 2%. To achieve a return over Libor + 2% the Fund Managers identify risk assets that they believe adequately compensate the Company for the risks that arise.

The Board has set limits on the class of debt and equity assets that may be utilised by the Manager and given permission for the Manager to leverage the portfolio through significant on balance sheet and synthetic gearing. As a result investors are exposed to a number of risks which are not mitigated and may give rise to gains and losses which may be significant.

The Board is conscious that predictable dividend distributions are particularly important to shareholders. Dividends are principally declared from net revenue income although the Board does have the power to declare dividends out of capital.

Net revenue income arises in the main from seeking interest rate and credit returns from investments. The selection of such investments is based on the judgment of the Fund Managers as to current and expected market conditions. The Board believes that the principal market risks faced by the Company and its shareholders arise from interest rate, credit and currency risks.

Market risk	Mitigation
<p>Interest rate risk</p> <p>The Company takes on interest rate risk so as to deliver portfolio returns.</p> <p>Reductions in market interest rates will reduce gross and net revenue income and this effect may be amplified by the use of leverage.</p> <p>Such falls may be mitigated for a period if the Company has invested in longer term fixed rate assets prior to such market movements.</p> <p>The Company invests in Secured Loans. Whilst such Secured Loans may contain fixed interest rates, they may also contain prepayment provisions that reduce their effectiveness at mitigating interest rate risk.</p> <p>Increases in market interest rates can reduce net asset value if interest rates rise whilst holding fixed rate assets of longer duration.</p> <p>Interest rate risk also arises from an investment in credit derivatives and the use of rolling forward foreign exchange contracts.</p>	<p>The Board has not set any limits on the amount of interest rate risk that may be taken by the portfolio manager other than to limit the gross on balance sheet and synthetic leverage to 40% of net assets.</p> <p>The Board discusses interest rate risk with the Fund Managers at each Board meeting and probes their assessment of market conditions and their judgment as to the direction of interest rates and speed of development.</p> <p>The Board receives a projection of net income on a monthly basis and probes the income realised to date and forecast to the financial year end.</p> <p>The Board receives a list of the assets in the portfolio which contains details of interest rates and periods to maturity at each Board meeting.</p> <p>The Board is currently discussing additional reporting to be provided at each Board meeting to capture the current interest rate risks in the portfolio.</p> <p>Interest rate risk profile of the portfolio as at the year end is set out in Note 14 to the financial statements on Page 54.</p>

Strategic Report: Corporate Information (continued)

Market risk	Mitigation
<p>Credit risk</p> <p>The Company takes on credit risk so as to deliver portfolio returns.</p> <p>Investing in debt securities and secured loans exposes the Company to credit risk from company defaults and restructurings.</p> <p>Whilst it may be possible to hold a debt instrument to maturity, and be paid out in full, the Manager has discretion to sell a distressed asset which would give rise to realised losses without a default having occurred.</p> <p>Reductions in credit spreads will reduce gross and net income and this effect may be amplified by leverage.</p> <p>Reductions in spreads may also reduce the availability of assets which the Manager believes would appropriately compensate the Company and its shareholders for the credit risk assumed leading to reduced flexibility if the portfolio needs to be repositioned.</p> <p>The Company is also exposed to counterparty credit risk through the use of derivatives.</p>	<p>The Board has not set any limits on the credit quality of the portfolio other than to limit asset backed securities to 40% of gross assets and high yielding equities to 10% of gross assets. Further, the Company will not, as a matter of policy, invest more than 10% in aggregate of its net assets in any single issue or issuer.</p> <p>The Board receives a report of the assets held in the portfolio at each Board meeting and discusses credit quality and default trends with the Fund Managers.</p> <p>The Board is currently discussing how to enhance the reporting provided at each Board meeting to better convey the trend of credit quality in the portfolio.</p> <p>The credit rating table for the portfolio at the year end is disclosed in Note 14 to the financial statements on Page 56.</p>
<p>Currency risk</p> <p>The Company invests in assets of fixed amounts denominated in currencies other than sterling which give rise to currency risk.</p> <p>Significant gains and losses would likely be incurred on the liquidation of such assets when repatriating capital to sterling. Less significant gains and losses are incurred on repatriating interest and other income to sterling.</p> <p>The custodian undertakes a rolling programme of forward sales of foreign currency which gives rise to elements of interest rate risk and credit default risk with the counterparty.</p>	<p>The Board has set a requirement that the capital amount of any investment denominated in a foreign currency be hedged to sterling so as to mitigate currency gains and losses.</p> <p>The Board receives a report of gross and hedged currency positions at each Board meeting so it can monitor the level of hedging actually undertaken.</p> <p>Gross and net hedging currency exposures are set out in Note 14 to the financial statements on Page 53.</p>

Principal operational risks

In terms of operational risk the Board has determined that the principal risks arise from its relationship and management of third party service suppliers and from the nature of the activities of the Company to the degree that they are unusual when compared to other investment trusts.

Operational risk	Mitigation
<p>Continued interest and commitment of Jenna Barnard and John Pattullo as Fund Managers</p> <p>Jenna and John have directed the portfolio since its launch and the portfolio reflects their assessment of current economic conditions and likely market opportunities and developments.</p> <p>It may prove difficult to replace either or both of them should they decide to step down or if Janus Henderson allocates them to alternative funds under management. Any replacements may have a different style and different view of how the benchmark return may best be met.</p>	<p>The Board has an extensive and ongoing dialogue with Jenna and John on a quarterly basis and seeks to ensure that they remain interested and committed to the portfolio.</p> <p>The Board discusses this risk regularly with Janus Henderson management and seeks to ensure that Jenna and John remain allocated to the portfolio and are appropriately rewarded for their services.</p>

Strategic Report: Corporate Information (continued)

Operational risk	Mitigation
<p>Continued interest and commitment of Janus Henderson as Investment Manager and its operation of effective systems of internal control and management reporting (and execution and settlement of secured loans)</p> <p>The Board appointed Janus Henderson as its Manager at inception and the group has supported shareholders since listing the predecessor Jersey Company.</p> <p>The Board benefits from the extensive knowledge and experience of Janus Henderson who manage a substantial portfolio of Investment Trusts and the economies of scale from contracting with other Investment Trusts for services.</p> <p>The Board relies on the knowledge and expertise of Janus Henderson in ensuring that the Company complies with all relevant laws and regulations which include company law, securities legislation, data protection, anti-bribery and corruption and anti-tax evasion legislation.</p> <p>It may prove difficult to replace the Manager with an alternative provider that would bring the same knowledge, experience and economies of scale should Janus Henderson decide to exit the Investment Trust business or to cease trading.</p>	<p>The Board has a regular dialogue with representatives of Janus Henderson about their support for the Company and annually assesses their performance to ensure that economies of scale and other benefits from the relationship are in fact being delivered.</p> <p>The Board receives regular reports on compliance with laws and regulations and receives regular updates as new legislation is enacted.</p> <p>The Board receives an annual report on internal controls in operation at Janus Henderson and is promptly made aware of any compliance failings and how they are remediated.</p> <p>On an annual basis the Board reviews the quality of the service it has received and any issues and provides feedback to Janus Henderson.</p>
<p>Reliance on credit standing and quality of service of BNP Paribas Securities Services as the appointed Depositary ('BNP') and custodian of assets and their execution and settlement of transactions (other than secured loans)</p> <p>The Board has appointed BNP as its Depositary. The Depositary has in turn appointed BNP as the Company's investment custodian, with responsibility for transaction execution and settlement.</p> <p>The Company is reliant on BNP operating effective systems to ensure the Company's transactions are undertaken promptly, that they are properly recorded, that assets are kept segregated from those of other clients, and that BNP's credit rating does not deteriorate or the custodian fails such that assets are not immediately recoverable.</p>	<p>The Board assesses the credit standing of BNP on a regular basis and keeps aware of market commentary should adverse events and circumstances begin to appear.</p> <p>The Board receives an annual report on internal controls in operation at BNP (fund accounting and global custody functions) and would be made aware promptly of any compliance failings and how they are remediated.</p> <p>On an annual basis the Board meets with a representative of BNP Depositary and Custodian to review the quality of the service received and discusses any issues.</p>
<p>Reliance on service providers to manage and control certain features of the portfolio</p> <p>The investment portfolio contains certain assets and liabilities (that are not present in most Investment Trusts) that require specific procedures and internal controls to be present for the Company, as follows:</p> <p>The Company invests in Secured Loans which are individually documented and require additional systems and controls to manage.</p> <p>The Company uses forward foreign exchange contracts to hedge currency exposure and may use future interest rate agreements to manage interest rate risk which require specialised reports to be produced to monitor net risks.</p> <p>The Company has borrowed funds and given covenants to the lender regarding certain ratios which require monitoring to ensure they are met.</p>	<p>The Board receives a regular report on net income earned to date and a projection of net income to the end of the year. The Board uses this to obtain comfort that the portfolio and its risks are being managed as intended. It also receives a monthly investment limits and restrictions schedule that confirms that the Manager has complied with the Board set investment limits and restrictions each month that includes borrowing covenants.</p> <p>On a quarterly basis the Board receives and reviews detailed reports with Janus Henderson including:</p> <ul style="list-style-type: none"> – Balance sheet – Income statement – Asset listing including purchases and sales – Revenue forecast – Gross and net currency position

Strategic Report: Corporate Information (continued)

Viability statement

The Directors have assessed the viability of the Company over a three year period taking account of the Company's current position and the potential impact of the principal risks and uncertainties documented in this Strategic Report.

The Directors consider this to be an appropriate period over which they do not expect there to be any significant changes in the current principal risks and adequacy of the mitigating controls in place.

In assessing viability, the Directors have considered the impact of the likelihood of the principal risks and uncertainties facing the Company in severe but reasonable scenarios, and the effectiveness of any mitigating controls in place, over the relevant period.

The Directors also took into account the liquidity and maturity of the portfolio and the income stream from the portfolio in considering the viability of the Company and its ability to meet liabilities as they fall due. This included consideration of how the forecast income stream, expenditure and levels of reserves could impact on the Company's ability to pay dividends to shareholders over that period in line with its current policy. Whilst detailed forecasts are only made over a shorter time frame, the nature of the Company's business as an investment trust means that such forecasts are equally valid to be considered over the longer three year period as a means of assessing whether the Company can continue in operation.

Based on their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three year period. Only a substantial financial crisis affecting the global economy could have an impact on this assessment.

Borrowing

The Board has in place a loan facility which allows it to borrow up to £45.5 million (£35.5 million with an additional £10.0 million commitment being available) for periods of one, two, three or six months. The facility expires in August 2018 and the Board intends to either renew or replace this facility as appropriate. Borrowing is regularly reviewed by the Board. At 30 April 2018 the Company had drawn down £26.81 million. The maximum amount drawn down in the period was £34.53 million, with borrowing costs including interest for the year totalling £419,000. At 30 April 2018 the ratio of borrowings under the facility to net assets was 16.2%.

Future developments

While the future performance of the Company is mainly dependent on the performance of global financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and policy explained on page 3. The Chairman's Statement and the Fund Managers' Report provide commentary on the outlook for the Company.

Key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of Janus Henderson, the Directors take into account the following key performance indicators ('KPIs'):

KPI	Action
Total return performance	The Board reviews and compares the performance of the portfolio as well as the net asset value ('NAV'), income and share price of the Company at each Board meeting.
Income	At each Board meeting, the Directors examine the revenue forecast and consider yield on the portfolio and the amount available for distribution. It also monitors the level of net income received in support of the Company's future interest distributions.
Discount/premium to NAV	At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV per share (including income). The Board considers the use of share buy-backs to enhance shareholder value where appropriate. Shares would only be purchased at a price below the prevailing NAV per share, thereby increasing the NAV per share of the remaining shares. The Board also considers the issuance of new shares, but only when there is unfulfilled demand, they trade at a premium to NAV, and the cost of such issuance is included in the price paid for the new shares, such that there is no detriment in terms of total return to existing shareholders. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula.

The performance highlights on page 2 show how the Company has performed against these KPIs.

Strategic Report: Corporate Information (continued)

Responsible investment, voting policy and the UK stewardship code

Janus Henderson's responsible investment policy sets out its approach to corporate governance and corporate responsibility for all the companies in which it invests on behalf of its clients and its policy on proxy voting. The policy also sets out how Janus Henderson implements the UK stewardship code. The Board has reviewed the policy and has delegated responsibility for voting to Janus Henderson. Voting recommendations are guided by the best interests of the investee companies' shareholders. Depending on the nature of the resolution the Fund Managers will give specific instructions on voting non-routine and unusual or controversial resolutions. Most debt investments do not carry voting rights.

The Janus Henderson responsible investment policy can be found on the Janus Henderson website www.janushenderson.com.

Employees, social, community, human rights and environmental matters

As an investment trust, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Company's core activities are undertaken by Janus Henderson, which has implemented environmental management practices. Janus Henderson's corporate responsibility statement is included on its website. In 2012 it was granted CarbonNeutral® company status which it has committed to maintain at least until the end of 2018.

The Company's Report for the period ended 30 April 2018 is printed on paper produced using 50% recycled post-consumer waste and 50% wood fibre from fully sustainable forests with certification by the Forest Stewardship Council; the printing company used is certified as CarbonNeutral®.

Bribery Act

The Board has reviewed the implications of the Bribery Act 2010 and confirmed its zero tolerance to bribery and corruption in its business activities. It has received assurances from the Company's main contractors and suppliers that they will maintain adequate safeguards to protect against any potentially illegal behaviour by their employees and agents.

Criminal Finances Act

The Board has considered the recent changes made by the Criminal Finances Act 2017 which introduced a new corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion. The Company maintains a zero tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

Modern Slavery

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Board diversity and experience

The Company's affairs are overseen by a Board comprising four non-executive Directors – one female and three male. The Directors are diverse in their experience bringing knowledge of investment markets, accounting and foreign affairs and politics to discussions regarding the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective, and are cognisant of diversity when making appointments to the Board. The Company has no employees and therefore has no further disclosures to make in respect of gender representation within the Company.

For and on behalf of the Board

Angus Macpherson
Chairman
9 July 2018

Strategic Report: Glossary

Alternative Investment Fund Managers Directive ('AIFMD')

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

Association of Investment Companies ('AIC')

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Benchmark

An index against which performance is compared. The Company's benchmark is the average return on a rolling annual basis of three month sterling Libor plus 2.00%.

Credit default swaps

A financial contract whereby a buyer of corporate or sovereign debt in the form of bonds attempts to eliminate possible loss arising from default by the issuer of the bonds. The swap agreement is such that the seller of the agreement will compensate the buyer in the event of a loan default. The buyer does not need to hold the loan instrument to buy the swap.

Custodian

The custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

From 22 July 2014 all AIFs were required to appoint a depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings. The depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrar to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Floating rate asset

Bonds that have a variable coupon, equal to a money market reference rate, like Libor, plus a quoted spread. The spread is a rate that remains constant.

High yield bonds

These bonds are considered more risky than investment grade bonds and as a result may pay higher coupons to attract investors. They generally mature in ten years or less and are less sensitive to interest rate changes than other bonds. They are rated below BBB- (by Standard & Poor's, Moody's or a similar recognised rating agency). This rating signifies a higher risk of default compared to an investment grade bond.

Interest rate futures

A financial derivative (a futures contract) with an interest-bearing instrument as the underlying asset. They are used to hedge against the risk that interest rates will move in an adverse direction.

Interest rate swaps

A contract to exchange fixed payments for floating payments linked to an interest rate, and is generally used to manage exposure to fluctuations in interest rates.

Interest streaming

An investment company may elect to pay distributions to shareholders as interest in order to reduce the taxable profits of the investment company, known as 'interest streaming'. An interest distribution still has the status of a dividend as a matter of company law and is paid in cash in the same way that a dividend is paid. The receipt of interest distributions by a shareholder who is resident in the UK will be taxed as though that shareholder received interest income and not at the rates that would be applied to dividends. Investors who have invested through a tax exempt wrapper (e.g. ISA or SIPP) should be exempt from tax on both dividends and interest distributions.

Investment grade bonds

These bonds pay a higher rate of interest than government bonds, known as the spread, to reflect the higher risk. Investment grade bonds are at the lower risk/lower return end of the corporate bond market and are typically issued by blue chip companies. They are rated BBB – and above (by Standard & Poor's, Moody's or a similar recognised rating agency). This rating signifies that historically such bonds suffer relatively low rates of default.

Strategic Report: Glossary (continued)

Investment trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Libor

London Interbank Offered Rate – the inter-bank lending rate in the UK which is a market standard reference rate used by many bond fund managers.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market capitalisation

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Retail price index

An inflationary indicator that measures the change in the cost of a fixed basket of retail goods.

Secured loans

These are loans entered into by companies and are typically at the most senior level of the capital structure, and are often secured by specific collateral including, but not limited to, trademarks, patents, accounts receivable, stock, equipment, buildings, real estate, franchises and the ordinary and preferred shares of the obligor and its subsidiaries. They are generally issued to finance internal growth, acquisitions, mergers, or share purchases. As a result of the additional debt incurred by the borrower in the course of the transactions, the borrower's creditworthiness would usually be judged by the rating agencies to be below investment grade. Some secured loans may be subordinated to other obligations of the borrower. Secured loans are not listed, but are, in normal market conditions, readily bought and sold. In periods of market turbulence, however, the liquidity of the market for such investments may be reduced.

Strategic Report: Alternative Performance Measures

Dividend yield

The annual dividend expressed as a percentage of the share price.

Financial gearing

The financial gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market and also takes into account the exposure to hedging and derivatives which have a gearing effect. This figure indicates the extra amount by which total equity would move if the Company's investments were to rise or fall. This is calculated by taking the difference between total investments (see note 11) and total equity (see Statement of Financial Position) divided by total equity and multiplied by 100.

Net asset value ('NAV') per ordinary share

The value of the Company's assets (e.g. investments (see note 11) and cash held (see Statement of Financial Position)) less any liabilities (e.g. bank borrowings (see Statement of Financial Position) and other payables (see note 13)) for which the Company is responsible, divided by the number of shares in issue (see note 15). The aggregate NAV is also referred to as shareholders' funds on the balance sheet. The NAV per ordinary share is published daily.

Ongoing charge

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the year (see notes 5 and 6) as being the best estimate of future costs, excluding performance fees, in accordance with the AIC methodology.

Premium/discount

The amount by which the market price per share (see page 12) of an investment company is either higher (premium) or lower (discount) than the NAV per ordinary share, expressed as a percentage of the NAV per ordinary share.

Synthetic gearing

Synthetic gearing is the gearing effect of investing in credit derivatives. This is calculated as the gross market value of the exposure to derivatives divided by total equity and multiplied by 100 (page 6).

Total gearing

Total gearing is the total of financial gearing and synthetic gearing (page 6).

Total return performance

This is the return on the share price (see page 12) or NAV (see 'NAV per ordinary share') taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders during a given period. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

See page 18 for details of the Company's key performance indicators and how the Directors assess some of these Alternative Performance Measures.

Corporate Report



Report of the Directors

The Directors present the audited financial statements of the Company and their report for the period 23 February 2017 to 30 April 2018. Henderson Diversified Income Trust plc (the 'Company') registered and domiciled in England and Wales with company registration number 10635799 was incorporated on 23 February 2017 and was active from 27 April 2017 to 30 April 2018.

Directors

Details of the Directors and their appointments can be found on page 13.

Directors' remuneration and shareholdings

The Directors' Remuneration Report on pages 27 and 28 provides information on the remuneration and interests of the Directors.

Related party transactions

The Company's transactions with related parties in the period were with its Directors, its subsidiary and Janus Henderson.

On the transfer of the assets and liabilities from Henderson Diversified Income Limited (the 'predecessor company'), the Company acquired beneficial ownership of the investments held through Henderson Diversified Income (Luxembourg) S.a.r.l (the 'subsidiary'). On 24 October 2017 the subsidiary was subject to a deed of dissolution, without liquidation, with immediate effect in accordance with the Luxembourg Civil Code. Any remaining assets and liabilities of the subsidiary were transferred to the Company as a result of this dissolution.

There have been no material transactions between the Company and its Directors during the period other than the amounts paid to them in respect of fees for which there were no outstanding amounts payable at the period end. In relation to the provision of services by Janus Henderson, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no transactions with Janus Henderson affecting the financial position of the Company during the period under review. More details on transactions with Janus Henderson, including amounts outstanding at the period end, are given in note 22 on page 59.

Ongoing charge and other costs

The ongoing charge reflects those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. The ongoing charge is based on actual costs incurred in the period as being the best estimate of future costs, in accordance with the AIC methodology. The ongoing charge for the period end 30 April 2018 (excluding performance fee) is 0.90%.

The Board believes that the ongoing charge during the period represented good value for money for shareholders. There is, however, some debate over the most appropriate measure of investment company costs to enable shareholders to assess value for money and to make comparisons between companies. Whilst industry agreement on how best to present a single figure for costs remains elusive, the Company will continue to focus on the ongoing charge (which is prepared in accordance with the AIC's recommended methodology) as a readily-understood measure of the underlying expenses of running the business.

Share capital

The Company's share capital comprises ordinary shares with a nominal value of 1p. The voting rights of the shares on a poll are one vote for every ordinary share of 1p. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro rata to their holding of ordinary shares.

The Board was given authority to allot new shares on a non-pre-emptive basis for cash, up to a maximum amount of 10% of the issued share capital of the Company immediately following completion of the Scheme in relation to the Share Issuance Programme (please see the Company's Prospectus dated 3 March 2017 for more details at www.hendersondiversifiedincome.com).

On 27 April 2017, the Board confirmed the admission of 182,193,240 ordinary shares of the Company to listing on the Official List. During the period 27 April 2017 to 30 April 2018 a further 7,425,000 ordinary shares were issued (representing 3.9% of the shares in issue at the date of this report) under the authority mentioned above. The shares have been issued to the Company's brokers, JP Morgan, at prices ranging from 92.0p to 94.2p per share for total proceeds of £6,869,000 (net of commissions).

The number of shares in issue as at 6 July 2018, being the latest practicable date prior to the publication of this report was 189,618,240. No shares were issued between 1 May 2018 and 6 July 2018.

Report of the Directors (continued)

The Company will seek authority from its shareholders at the 2018 Annual General Meeting to allot shares up to 10% of the issued share capital as at the date of the 2018 Annual General Meeting. Please refer to the Notice of Meeting that accompanies this Annual Report for further details. This can also be found on the Company's website at www.hendersondiversifiedincome.com.

Holdings in the Company's shares

Declarations of interests in the voting rights of the Company as at 30 April 2018 in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules were as follows.

	% of voting rights
Brewin Dolphin Limited	9.92
Transact Nominees Limited	8.01
Canaccord Genuity Group Inc.	3.40

There have been no further notifications to 6 July 2018, being the latest practicable date prior to publication of this report.

At 30 April 2018, 3.1% of the issued ordinary shares were held on behalf of participants in the Halifax Share Dealing products. The participants in this scheme are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company.

Annual General Meeting ('AGM')

The AGM will be held on 21 August 2018 at 11:30am at Janus Henderson's offices, 201 Bishopsgate, London EC2M 3AE. The Notice of Meeting and details of the resolutions to be put at the AGM are contained in the separate document being sent to shareholders with this report.

Directors' statement as to disclosure of information to the auditor

Each of the Directors who were members of the Board at the date of approval of this report confirms that, to the best of his or her knowledge and belief, there is no information relevant to the preparation of the report of which the Company's auditor is unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate governance

The corporate governance statement on pages 29 to 32 forms part of the Report of the Directors.

Listing Rule 9.8.4

Listing Rule ('LR') 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out.

With the exception of disclosures under LR 9.8.4(7) relating to the allotment of shares, which is covered under the section 'Share Capital' on page 24 there are no further disclosures to be made in this regard.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
9 July 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the report for the period 23 February 2017 to 30 April 2018, including the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee, the Directors consider that the report for the period 23 February 2017 to 30 April 2018 and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Statement of Directors' Responsibilities under Disclosure Guidance and Transparency Rule 4.1.12

Each of the Directors, who are listed on page 13, confirms that, to the best of his or her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report in this report and financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Angus Macpherson
Chairman
9 July 2018

The financial statements are published on the website **www.hendersondiversifiedincome.com** which is a website maintained by Janus Henderson. 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 other jurisdictions. The maintenance and integrity of the website maintained by the Manager or any of its subsidiaries is, so far as it relates to the Company, the responsibility of the Manager.

The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that have occurred to the report since it was initially presented on the website.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013 (the 'Regulations'). The report also meets the relevant requirements of the Companies Act 2006 (the 'Act') and the Listing Rules of the UK Listing Authority and describes how the Board has applied the principles relating to Directors' remuneration.

Shareholders will also be asked to approve the Company's remuneration policy as required by Section 439A of the Act at the AGM on 21 August 2018. Subject to shareholder approval, the policy will then continue in force until the AGM in 2021.

The Company's auditor is required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

Remuneration policy

The Board as a whole considers the Directors' remuneration. The Board has not established a remuneration committee to consider matters relating to the Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors review annually the fees paid to the boards of directors of other comparable investment trust companies).

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to promote the long term success of the Company. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their additional responsibilities. The policy is to review these rates annually although such review will not necessarily result in any change to the rates. The Board considers market rates when discussing fees. None of the Directors has a contract of service or a contract for services, there are no set notice periods and a Director may resign by notice in writing to the Board at any time with no compensation. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him or her. There are no long term incentive schemes provided by the Company and the fees are not specifically related to the Directors' performance, either individually or collectively.

The Directors may be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. The level of remuneration paid to each Director is reviewed annually, although such review will not necessarily result in a change to the rate.

Annual statement

As Chairman, Angus Macpherson reports that there have been no decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the period under review.

Annual report on remuneration Directors' interests in shares (audited)

	Ordinary shares of 1p	
	30 April 2018	23 February 2017
Beneficial interest:		
Angus Macpherson	101,488	101,488 ¹
Roderick Davidson ²	—	—
Denise Hadgill	—	—
Stewart Wood	—	—
Ian Wright	30,000	—

1 Shares held in Henderson Diversified Income Limited and transferred to the Company on 27 April 2017

2 Resigned as a Director of the Company on 30 April 2018

The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial period are shown in the preceding table. There have been no changes since the period end to the date of this report.

No Director is required to hold shares of the Company by way of qualification.

Directors' Remuneration Report (continued)

Directors' remuneration (audited)

The fees paid to Directors who served during the period 23 February 2017 to 30 April 2018 were as follows:

	Period 23 February 2017 to 30 April 2017 Fees £	Year to 30 April 2018 Fees £	Period ended 30 April 2018 Total fees £	Period ended 30 April 2018 Total expenses including taxable benefits £	Period ended 30 April 2018 Total £
Angus Macpherson ¹	7,040	37,500	44,540	2,831	47,371
Roderick Davidson ²	4,506	24,000	28,506	924	29,430
Denise Hadgill	4,506	24,000	28,506	88	28,594
Stewart Wood	4,506	24,000	28,506	–	28,506
Ian Wright ³	5,164	27,500	32,664	2,741	35,405
Total	25,722	137,000	162,722	6,584	169,306

Notes:

The table above omits other columns because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made. Taxable benefits – Article 89 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

1 Chairman and highest paid director

2 Resigned as a Director of the Company on 30 April 2018

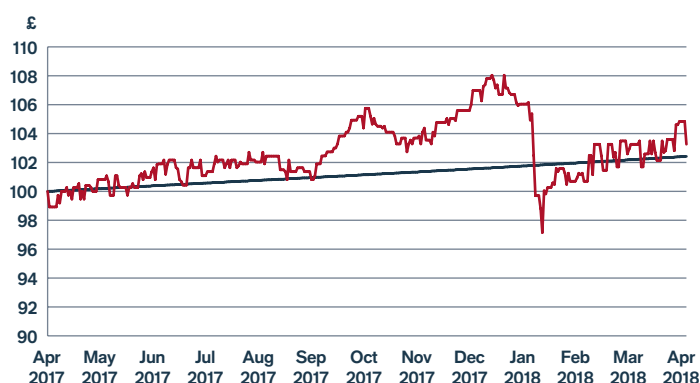
3 Chairman of the Audit Committee

No other remuneration or compensation was paid or payable by the Company during the period to any of the Directors or third parties specified by any of them.

The annual fees paid to the Directors are as follows: Chairman £37,500, Audit Committee Chairman £27,500 and Directors £24,000.

Performance

The Company's performance has been measured against total shareholder return as compared to the total return objective of 2.00% over three month sterling Libor for the period 27 April 2017 to 30 April 2018.



Source: Trust – Morningstar Direct, Benchmark – BNP IRP Service/HEDS, rebased to 100

— Company's share price total return, assuming the investment of £100 on 27 April 2017 and the reinvestment of all dividends (excluding dealing expenses) (Source: Morningstar Direct)

— Cumulative total return on a rolling annual basis of three months sterling Libor plus 2% assuming a notional investment of £100 on 27 April 2017

Relative importance of spend on pay

In order to show the relative importance of spend on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividends. There were no other significant distributions, payments or other uses of the Company's profit or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	30 April 2018
Total remuneration	169,306
Ordinary dividends paid	8,627,630

For and on behalf of the Board

Angus Macpherson
Chairman
9 July 2018

Corporate Governance Statement

Applicable corporate governance codes

The Board is accountable to shareholders for the governance of the Company's affairs. As an investment trust, the Company's day-to-day responsibilities are delegated to third parties; the Company has no employees and the Directors are all non-executive. Therefore not all the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council ('FRC') in April 2016 are directly applicable to the Company. The Board has therefore considered the principles and recommendations of the Code of Corporate Governance published by the Association of Investment Companies in July 2016 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the applicable principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies. The FRC has confirmed that, by following the AIC Code, boards of investment companies should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Listing Rules.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk.

Statement of compliance

The Directors believe that during the period under review they have complied with the provisions of the AIC Code, insofar as they apply to the Company's business, and with the provisions of the UK Code, except as noted below:

- the role of chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

As the Company delegates to an external investment manager (which has its own internal audit function) its day-to-day operations and has no employees, the Board does not consider these provisions to be relevant to the Company and has not reported further in respect of these provisions.

The Board

Board composition

The Articles of Association provide that the total number of Directors shall not be less than two nor more than ten; the Board currently consists of four non-executive Directors. The biographies of the Directors holding office at the date of this report, which are set out on page 13, demonstrate the breadth of investment, accounting and foreign affairs and political skill and expertise relevant to their positions as Directors.

Responsibilities of the Board and its Committees

During the period five scheduled Board meetings were held to deal with the important aspects of the Company's affairs. A separate incorporation meeting was held in February 2017. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy and

management, structure and capital, financial reporting and controls, internal controls, contracts, communication, Board membership and other appointments, remuneration, delegation of authority and corporate governance matters.

The Board is responsible for the approval of the full year and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects. The Directors confirm that they are satisfied that the report for the period ended 30 April 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objective and policy and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. It has also adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information.

Internal controls

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- Clearly defined investment criteria, specifying levels of authority and exposure limits. The Board reviews reports on investment performance against and compliance with the criteria at each meeting;
- Regular financial reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- Contractual agreements with the Manager and all other third party service providers. The Board reviews performance levels and adherence to relevant provisions in the agreements on a regular basis through reporting to the Board and conducts a formal evaluation of the overall level of service provided at least annually;

Corporate Governance Statement (continued)

- The review of controls at the Manager and other third party service providers. The Board receives quarterly reporting from the Manager and Depositary, and reviews annual assurance reports on the effectiveness of the control environments at the Company's key service providers; and
- Review of additional reporting provided by:
 - the Manager's Operational Risk team on the control environment in operation at the Manager and their view of the control environments in place at the third party service providers used by the Company; and
 - the Manager's Internal Audit team on areas of operation which are relevant to the Company.

The Board noted the service auditors' qualification in respect of the assurance reports of one of the Company's third party service providers which covered controls during the reporting period. The Board is aware that the Audit Committee has sought additional clarification in respect of the exceptions which resulted in the qualification and is satisfied that the matter has been considered in sufficient detail. The Board has reviewed the effectiveness of the Company's system of internal controls for the period ended 30 April 2018. During the course of its review the Board has not identified or been advised of any failings or weaknesses that have been determined as significant.

Internal audit function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's management functions are delegated to third parties and the Board monitors the controls in place with support from the Manager's internal audit department. As such the Board has determined that there is currently no need for the Company to have its own internal audit function.

Directors

Terms of appointment and retirement

The Board may appoint Directors to the Board and any Director so appointed may stand for appointment by the shareholders at the Annual General Meeting ('AGM') following appointment, in accordance with the Articles of Association. All of the Directors who were appointed to the Board on 23 February 2017 will stand for appointment by shareholders at the 2018 Annual General Meeting with the exception of Roderick Davidson who resigned from the Board on 30 April 2018.

The contribution and performance of each Director was reviewed by the Nominations Committee at its meeting in April 2018, which recommended to the Board the continuing appointment of each of the Directors. Under the Articles of Association, shareholders may remove a Director before the end of his or her term by passing an ordinary resolution at a meeting.

Independence

All Directors have a wide range of other interests and are not dependent on the Company itself. At the Nominations Committee meeting in April 2018, the Directors reviewed their independence

and confirmed that all Directors remain wholly independent of the Manager. There were no contracts in existence during or at the end of the period and up to the date of this report which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Induction and ongoing training

When a new Director is appointed he or she receives an induction seminar which is held by the Manager at the request of the Chairman. Directors are also provided on a regular basis with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. Directors' individual training requirements are considered as part of the annual evaluation process which is led by the Chairman of the Board.

Directors' conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ('situational conflicts'). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively.

Directors' insurance and indemnification

Directors' and officers' liability insurance cover is in place in respect of the Directors. Under the Company's Articles of Association and, subject to the provisions of UK legislation, a qualifying third party provision indemnity may be provided to Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors in which they are acquitted or judgment is given in their favour by the Court. No indemnity was given during the period or up to the date of this report.

Performance evaluation

The Directors recognise the importance of the AIC Code's recommendation in respect of evaluating the performance of the Board as a whole, the Committees and individual Directors. During the period the Directors undertook a review of the Board structure including an evaluation of the performance of the Board, the Committees and of individual Directors including the Chairman. The evaluation concluded that the Board has a good balance of skills and experience relevant to the Company's objectives and operations.

Corporate Governance Statement (continued)

Committees of the Board

The Board has three principal Committees, the Audit Committee, the Nominations Committee and the Management Engagement Committee. The terms of reference for these Committees are available on the Company's website www.hendersondiversifiedincome.com or via the Corporate Secretary.

The Company has also established an Insider Committee to assist in meeting the disclosure requirements of the Market Abuse Regulation.

Audit Committee

The Audit Committee is chaired by Ian Wright. The Report of the Audit Committee can be found on pages 33 to 35.

Nominations Committee

All the Directors are members of the Nominations Committee. The Chairman of the Board acts as Chairman of the Committee but would not chair the Committee when the Chairman's successor is being considered.

The Committee is responsible for reviewing Board succession planning, the composition and performance of the Board as a whole and the Board Committees, and the appointment of new Directors. When considering succession planning, the Committee bears in mind the balance of skills, knowledge, experience, gender and diversity existing on the Board and will recommend when the recruitment of additional non-executive Directors is required. Given the size of the Board it is not considered appropriate to have set targets in relation to gender diversity. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up and each Director is invited to submit nominations and these are considered in accordance with the Board's agreed procedures. The Committee will use independent external agencies as and when the requirement to recruit an additional Board member becomes necessary.

The Committee also reviews and recommends to the Board each Director seeking re-appointment. Recommendation is not automatic and will follow a process of evaluation of each Director's performance and consideration of the Director's independence. The Committee also takes into account the mix of skills and experience of the current Board members. In accordance with the AIC Code any Director serving for longer than six years would be subject to particularly rigorous assessment of his/her contribution.

Management Engagement Committee

The Management Engagement Committee membership comprises all the members of the Board. The Committee meets at least annually to review the investment management agreement and to review the services provided by the Manager.

Meeting attendance

The table below sets out the number of formal Board and Committee meetings held during the period under review and the number of meetings attended by each Director.

	Board	AC	NC	MEC
Number of meetings	5	2	1	1
Angus Macpherson	5	2	1	1
Roderick Davidson ¹	5	1	1	1
Denise Hadgill	4	2	1	1
Stewart Wood	5	1	1	1
Ian Wright	5	2	1	1

¹ Resigned as a director of the Company on 30 April 2018

AC: Audit Committee

NC: Nominations Committee

MEC: Management Engagement Committee

The Insider Committee did not meet during the period under review.

The Directors and Committees of the Board also met during the period under review as needed to undertake business such as the approval of the Company's results.

Accountability and relationship with Janus Henderson

The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 26, and the viability statement on page 18.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman is able to attend meetings of all the chairmen of the investment trusts and companies managed by Janus Henderson which provide a forum to discuss industry matters which are then reported to the Board.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the Directors to probe further on matters of concern. The Directors have access to the advice and services of the Corporate Secretary through its appointed representative who is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes. The Board and the Manager operate in a supportive, co-operative and open environment.

Corporate Governance Statement (continued)

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of the Manager with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities particularly when dealing with any conflicts or issues between the Company and the Manager. Any correspondence from shareholders addressed to the Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman of the Company in line with the audited procedure in place. Any correspondence is also submitted to the next Board meeting for discussion.

Janus Henderson and BNP Paribas Securities Services, which provides Janus Henderson with accounting and administration services, have arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters.

Continued appointment of the Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. The principal contents of the agreement with the Manager and the fees payable are contained on page 3.

The Board reviews investment performance at each Board meeting and a formal review of the Manager is conducted annually. As part of the annual review in April 2018 the Directors discussed the quality and continuity of the personnel assigned to handle the Company's affairs, with particular reference to performance and results achieved to date. In addition, they reviewed other services provided by the Manager to the Company, such as accounting, company secretarial and administration services and the Manager's activities in promoting and marketing the Company. The Board noted the Manager's resources and experience in managing and administering investment trust companies. As a result of their annual review it is the opinion of the Directors that the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole.

Share capital

Please see the Report of the Directors on page 24.

Relations with shareholders

Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with its shareholders is through the half year and full year results which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and publication of the NAV per share at the London Stock Exchange. Janus Henderson also provides a monthly fact sheet which is available on the website and information on the Company and Fund Manager videos on the website, via various social media channels and through its HGi content platform, more details of which are included on page 14.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. Shareholders have the opportunity to address questions to the Chairman of the Board, the Chairman of the Audit Committee and all other Directors at the meeting and the Fund Managers will make a presentation to shareholders. A summary of the proxy votes received on the resolutions proposed is displayed at the meeting and each substantial issue is dealt with in a separate resolution. It is the intention of the Board that this report and Notice of AGM be issued to shareholders so as to provide at least 20 working days' notice of the meeting. These documents are also included on the website. Shareholders wishing to lodge questions in advance of the meeting, or raise issues or concerns at any time are invited to do so by writing to the Chairman at the registered office address given on page 14.

General presentations to both shareholders and analysts follow the publication of the full year results. Meetings between Janus Henderson, including the Fund Managers, and shareholders are reported to the Board.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
9 July 2018

Report of the Audit Committee

The Audit Committee presents its Report for the period ended 30 April 2018.

Composition

The Audit Committee comprises all of the Directors, and is chaired by Ian Wright who is a chartered accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. All members of the Audit Committee are independent and have competence relevant to the sector in which the Company operates. The biographies of the Audit Committee members are shown on page 13.

Meetings

The Audit Committee met twice during the period under review. The Company's auditor is invited to attend meetings as necessary. Representatives of Janus Henderson may also be invited.

Role and responsibilities

The role of the Audit Committee is to assist the Board in applying the financial reporting and internal control principles and to maintain an appropriate relationship with the Auditor. The responsibilities are set out in formal terms of reference which are regularly reviewed. In the period under review the main duties undertaken were:

- consideration of the appropriateness of the Company's accounting policies;
- a review of the interim results for the period to 31 August 2017 and 31 October 2017 and the report for the period ended 30 April 2018, including the disclosures made therein in relation to internal controls and risk management, viability statement, going concern and related parties and consideration of whether the report for the period ended 30 April 2018 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board. In assessing whether the report for the period ended 30 April 2018 is fair, balanced and understandable, each Director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered together with feedback from the Company's auditor, Janus Henderson's Financial Reporting Manager and the Corporate Secretary;
- consideration of the terms of reference of the Audit Committee;
- consideration of the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from the Manager;
- consideration of the appropriate level of dividend to be paid by the Company for recommendation to the Board;
- consideration of the internal controls in place at the Manager and BNP as administrator and Depositary and the Manager's policies in relation to cyber risk and business continuity;
- consideration of the key risks, risk management systems in place and the Company's risk map;
- consideration of the Company's anti-bribery policy, anti-tax evasion policy and review of the Company's gifts and hospitality register (the Audit Committee was satisfied that the Company was in compliance);
- consideration of the nature and scope of the external audit, reports of the auditor and the findings therefrom;
- consideration of the appointment of the external auditor, their effectiveness and their performance and remuneration;
- annual consideration of whether there is a need for an internal audit function, in order to make a recommendation to the Board (as described on page 30);
- consideration of the non-audit services policy;
- consideration of the external auditor's independence and objectivity and the provision of any non-audit services (as explained further on page 35) and the reporting of the external auditor;
- consideration of the whistle blowing policy that the Manager has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The policy includes the necessary arrangements for independent investigation and follow up action;
- consideration of the changes in the performance and management fee arrangements;
- the calculation of the performance fee for the period 1 November 2016 to 31 October 2017 and the management fee; and
- consideration of the allocation of fees and finance costs between capital and revenue.

Report of the Audit Committee (continued)

Report for the period ended 30 April 2018

In relation to the report for the period ended 30 April 2018 the following significant issues were considered by the Committee:

Significant issues	How the issue was addressed
Valuation and ownership of the Company's investments	<p>The Directors have appointed Janus Henderson to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third party pricing vendors. The portfolio valuation is regularly reviewed by the Committee. Ownership of listed investments is verified by reconciliation to the Custodian's records. The Board also receives quarterly reports from the Depositary. Investments that are unlisted or not actively traded are valued using a variety of techniques to determine their fair value; all such valuations are reviewed and approved by the Directors.</p>
Recognition of income	<p>Income received has been accounted for in line with the Company's accounting policies (as set out on page 46) and was reviewed by the Committee at each meeting to confirm it is in compliance with IFRSs.</p> <p>The Board reviews Janus Henderson's revenue forecasts on a quarterly basis in support of the Company's future dividends.</p>
Maintaining internal controls	<p>The Committee has received regular reports on internal controls from Janus Henderson and BNP and their respective delegates and has had access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit.</p> <p>The Committee noted the service auditors' qualifications in respect of the Janus Henderson assurance report which covered controls during the reporting period. The Committee sought additional clarification in respect of the report and is satisfied that none of the exceptions impacted the Company for the period ended 30 April 2018 and that appropriate actions have been taken to address the issues identified.</p> <p>The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP Paribas.</p>
Correct calculation of the performance related fee	<p>With effect from 1 November 2017 the 18 month performance period to 30 April 2018 was truncated at 31 October 2017, the performance fee for this period was calculated and the performance fee has been paid.</p> <p>The period-end performance related fee calculation was prepared by the Administrator (BNP Paribas Securities Services) and reviewed by Janus Henderson and then reviewed in depth by the Committee, all with reference to the management agreement.</p>

Report of the Audit Committee (continued)

Audit tendering

As a Public Interest Entity listed on the London Stock Exchange, the Company is subject to the mandatory auditor rotation requirements of the European Union. The EU's Audit Directive and Regulation requires that the Company puts the external audit out to tender at least every ten years and change auditor at least every twenty years. Ernst & Young LLP ('EY') have been appointed as the Company's auditor and the first audit tender will therefore be required no later than 2027 in accordance with the Audit Directive and Regulation. However, the Audit Committee has agreed that the external audit will be likely to be put out to tender every five years.

External audit, review and auditor reappointment

The Committee discusses the audit process with the auditor without representatives of the Manager present and considers the effectiveness of the audit process after each audit. This is the first year EY has audited the Company's report. During the audit, the Committee Chairman liaised with the partner to receive progress updates and reviewed EY's audit results prior to the Committee meeting to consider the financial statements. EY attended this meeting to present their report and observe the Committee's review of the financial statements and internal controls reporting by the Manager.

Based on the Committee's review of EY's reporting, interactions with the audit team throughout the process and our discussions with representatives of the Manager, the Committee is satisfied with the effectiveness of the audit provided by EY and that they are independent of the Company. The auditor is required to rotate partners every five years and it is proposed that the current audit partner will serve until the AGM in 2022.

Policy on non-audit services

The provision of non-audit services by the Company's auditor is considered and approved by the Committee on a case by case basis. The policy set by the Committee, which is kept under review, ensures that consideration is given to the following factors when considering the provision of non-audit services by the auditor:

- whether the service has a direct or material effect on the audited financial statements;
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit services;
- whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- the nature of the non-audit services;
- the fees incurred, or to be incurred, for non-audit services both for the individual services and in aggregate, relative to the audit fee; and

- the criteria which govern the compensation of the individuals performing the audit.

The Audit Committee has determined a list of prohibited services that the auditor will not be considered for including services related to accounting and preparation of the financial statements, internal audit and custody.

Non-audit services provided by the auditor during the period under review related to the review of the Company's Prospectus dated 3 March 2017 in relation to taxation and providing the report required under Section 593 of the Companies Act 2006 in relation to the valuation of non-cash consideration for shares which amounted to £20,000. These non-audit services would not be expected to occur in future years.

Ian Wright
Audit Committee Chairman
9 July 2018

Independent Auditor's Report to the Members of Henderson Diversified Income Trust plc

Opinion

We have audited the financial statements of Henderson Diversified Income Trust plc (the Company) for the period ended 30 April 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flow and Notes to the Financial Statements 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 April 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 15 to 17 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 15 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 45 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 18 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	Incorrect or inaccurate recognition of investment income. Incorrect valuation and defective title of the investment portfolio held at fair value through profit and loss.
Materiality	Overall materiality of £1.66mn which represents 1% of net assets.

Independent Auditor's Report to the Members of Henderson Diversified Income Trust plc (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incorrect or inaccurate recognition of investment income</p> <p>In the current period investment income totalled £9.57mn of which £8.99mn related to income from fixed income securities and secured loans. The remaining balance consisted of premiums on credit default swaps and dividend income.</p> <p>The Company's accounting policy is to recognise dividend income on an ex-dividend basis and fixed interest income on an effective interest rate (EIR) basis. Fixed income coupons, secured loan interest, bond amortisation and premiums on credit default swaps are all recognised on an accruals basis to the revenue return column.</p> <p>If the Company is not entitled to receive the premium, dividend or interest income recognised in the financial statements, or the income recognised does not relate to the current financial period, this will impact the extent of the profits available to fund dividend distributions to shareholders.</p> <p>Calculation of the EIR on fixed interest investments involves a manual element and therefore the opportunity to manipulate this arises. Given these, we considered there to be a fraud risk, in accordance with Auditing Standards.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of BNP Paribas Securities Services' (the Administrator) and Henderson Investment Funds Limited's (the Manager) processes and controls surrounding revenue recognition by performing a walkthrough to understand the design effectiveness. • We agreed, for a sample of quoted fixed income bonds, the coupon rates to independent sources and recalculated the interest income based on the holdings of the respective security; cash receipts were agreed to bank statement. • We agreed, for a sample of secured loans, the interest rates to agent confirmations and recalculated the interest income based on the holdings of the respective loan; cash receipts were agreed to bank statement. • We recalculated, for a sample of investments, the effective interest rate schedule in line with the accounting policy. • We analysed the credit ratings of the debt securities in the portfolio for evidence of distressed securities for which income should not be recognised. • We have reviewed the allocation between capital and revenue column of the Income Statement and have verified through recalculation that this has been correctly applied. • We compared the foreign exchange rates used to an independent source to ensure the rates used are reasonable for all income testing procedures. 	<p>The results of our procedures are:</p> <ul style="list-style-type: none"> • We had no issues to communicate with respect to the procedures performed in response to the risk of incorrect or inaccurate recognition of investment income.

Independent Auditor's Report to the Members of Henderson Diversified Income Trust plc (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incorrect valuation and defective title of the investment portfolio held at fair value through profit and loss</p> <p>The Company holds a significant fixed income portfolio totalling £197.44mn.</p> <p>Incorrect valuation of the assets or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders and the net asset value.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> We obtained an understanding of the Administrator's processes and controls surrounding investments pricing by performing a walkthrough to understand their design effectiveness. We obtained independent prices for 100% of the fixed income securities held through profit and loss and compared these to the Administrator's portfolio report. For all quoted fixed income portfolio we independently obtained confirmation from BNP Paribas Securities Services (London Branch) (the Custodian and Depositary) of the number of units of each security held as at 30 April 2018 and agreed these to the Administrator's investment portfolio. For secured loans where legal title is held by the Manager, we verified legal ownership to independent agent confirmations and to the Depositary. As an alternate procedure where confirmations were not received, we agreed the number of units purchased to deal tickets. We agreed the transfer of assets from the predecessor company to the liquidator's report. We recalculated the foreign exchange translation on the non-sterling securities in the investment portfolio using a relevant independent pricing source. 	<p>The results of our procedures are:</p> <ul style="list-style-type: none"> We had no issues to communicate with respect to the procedures that we performed in response to the risk of incorrect valuation and defective title of the investment portfolio held at fair value through profit and loss.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £1.66mn, which is 1% of net assets. We believe that net assets is the most appropriate measure as it is the primary measure that investors use to assess the performance of the Company.

During the course of our audit, we reassessed initial materiality and made no changes from our original assessment at the planning stage.

Independent Auditor's Report to the Members of Henderson Diversified Income Trust plc (continued)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £1.24mn. We have set performance materiality at this level based on our understanding of the control environment that indicates a lower risk of material misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also apply a separate, lower performance materiality of £0.39mn for the revenue column of the Income Statement being 5% of the revenue return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.08mn, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report is set out on pages 1 to 35 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 26 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** set out on pages 33 to 35 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 29 – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Members of Henderson Diversified Income Trust plc (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Association of Investment Companies Statement of Recommended Practice 2017 and Section 1158 of the Corporation Tax Act 2010.
- We understood how Henderson Diversified Income Trust plc is complying with those frameworks through discussions with the Audit Committee and Company Secretary in combination with a review of the Company's documented policies and procedures.

Notes:

1. The maintenance and integrity of the Henderson Diversified Income Trust plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. Given the activities of the Company, we consider management override as being most likely to occur in the significant risk area of 'Incorrect or inaccurate recognition of investment income'. Our procedures stated above are designed to address this risk.
- Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.
- We have reviewed that the Company's control environment is adequate for the size and operating model of such a listed investment company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 11 December 2017 to audit the financial statements for the period ending 30 April 2018 and subsequent financial periods.
This is our first accounting period as auditor of the Company.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Price (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

9 July 2018

Statement of Comprehensive Income

Notes		Period ended 30 April 2018		
		Revenue return £'000	Capital return £'000	Total return £'000
11	Losses on investments held at fair value through profit or loss	–	(8,322)	(8,322)
18	Gains on foreign exchange transactions at fair value through profit or loss	–	5,724	5,724
3	Investment income	9,570	–	9,570
4	Other operating income	5	–	5
	Total income	9,575	(2,598)	6,977
	Expenses			
5	Management and performance fees	(1,037)	(1,036)	(2,073)
6	Other expenses	(471)	–	(471)
	Profit before finance costs and taxation	8,067	(3,634)	4,433
7	Finance costs	(210)	(209)	(419)
	Profit before taxation	7,857	(3,843)	4,014
8	Taxation	40	–	40
	Profit for the period	7,897	(3,843)	4,054
9	Earnings per ordinary share	4.19p	(2.04p)	2.15p

The total columns of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRSs as adopted by the European Union. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

Statement of Changes in Equity

Notes		Called-up share capital £'000	Share premium £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
	Total equity at 23 February 2017	–	–	–	–	–	–
	Proceeds from issue of shares on 27 April 2017	1,822	159,596	–	–	–	161,418
	Total equity at 27 April 2017	1,822	159,596	–	–	–	161,418
	Total comprehensive income:						
	Profit after taxation	–	–	–	(3,843)	7,897	4,054
	Transactions with owners recorded directly to equity:						
15 & 16	Proceeds from issue of shares	74	6,795	–	–	–	6,869
	Transfer for cancellation of share premium	–	(166,391)	166,391	–	–	–
10	Dividends paid	–	–	(853)	–	(5,689)	(6,542)
	Total equity at 30 April 2018	1,896	–	165,538	(3,843)	2,208	165,799

Statement of Financial Position

Notes		At 30 April 2018 £'000
	Non current assets	
11	Investments designated as fair value through profit or loss	197,439
		197,439
	Current assets	
12	Other receivables	5,737
	Cash and cash equivalents	370
		6,107
	Total assets	203,546
	Current liabilities	
13	Other payables	(10,937)
14.2 & 23	Bank loan	(26,810)
	Total assets less current liabilities	165,799
	Net assets	165,799
	Equity attributable to equity shareholders	
15	Called-up share capital	1,896
17	Distributable reserve	165,538
18	Capital reserve	(3,843)
	Revenue reserve	2,208
	Total equity	165,799
19	Net asset value per ordinary share	87.44p

The financial statements were approved by the Board of Directors and authorised for issue on 9 July 2018 and were signed on its behalf by:

Angus Macpherson
Chairman

Cash Flow Statement

	Period ended 30 April 2018 £'000
Operating activities	
Net profit before tax	4,014
Interest payable	419
Losses on investments held at fair value through profit or loss	8,322
Gains on foreign exchange transactions at fair value through profit or loss	(5,724)
Payment on settlement of forward exchange contracts	10,484
Increase in prepayments and accrued income	120
Increase in other creditors	491
Purchases of investments	(145,430)
Sales of investments	125,642
Net cash outflow from operating activities before finance costs	(1,662)
Interest paid	(372)
Taxation on investment income	49
Net cash outflow from operating activities	(1,985)
Financing activities	
Equity dividends paid	(6,542)
Issue of ordinary shares	6,869
Cash received from Henderson Diversified Income Limited	5,324
Issue costs	(361)
Loans repaid	(3,125)
Net cash inflow from financing	2,165
Increase in cash and cash equivalents	180
Exchange movements	190
Cash and cash equivalents at the end of the period	370

Notes to the Financial Statements

1 General information

The Company was incorporated on 23 February 2017.

On 26 April 2017 the shareholders of Henderson Diversified Income Limited ('predecessor company') placed the predecessor company into a Jersey summary winding up. All of the assets and liabilities of the predecessor company passed over to the Company with effect from 27 April 2017.

2 Accounting policies

a) Basis of preparation

The Company is a registered investment company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The financial statements for the period ended 30 April 2018 have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the IFRS Interpretations Committee ('IFRS IC') that remain in effect, to the extent that IFRSs have been adopted by the European Union.

Standards		Effective for annual periods beginning on or after
IAS 28 Amendment (AI 2014-16)	Measuring an associate or joint venture at fair value	1 January 2018
IAS 28 Amendment (AI 2015-17)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IAS 40 Amendment	Transfers of Investment Property	1 January 2018
IFRS 1 Amendment (AI 2014-16)	Deletion of short-term exemptions for first-time adopters	1 January 2018
IFRS 2 Amendment	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 Amendment	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 Amendment	Effective date of IFRS 15	1 January 2018
IFRS 15 Amendment	Clarifications	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
Interpretations		Effective for annual periods beginning on or after
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

These standards are not expected to have a material impact on the Company.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments held at fair value through profit or loss. The principal accounting policies adopted are set out below. These policies have been applied consistently throughout the period. Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in November 2014 and updated in January 2017 with consequential amendments is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

The assets of the Company consist mainly of securities that are listed and readily realisable and, accordingly, the Directors believe that the Company has adequate financial resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement (see page 18), the Directors have decided that it is appropriate for the financial statements to be prepared on a going concern basis.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

b) Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions. The Directors have considered that investments in secured loans, credit defaults swaps and forward foreign exchange contracts should be categorised as level 2 investments (see page 57 note 14.5).

c) Investments designated at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. This is consistent with the Company's investment strategy and fair value information on these investments which is provided to the Board. Assets are recognised at the trade date of acquisition and are de-recognised at the trade date of the disposal.

Fair value for quoted investments represents the bid-market value as at the close of business at the Company's Statement of Financial Position date. Fair value for unquoted investments or where a market value is not readily available is based on Janus Henderson's assessment of the value of the investment. Overseas investments are translated into sterling at the exchange rate ruling at the period end.

Changes in the fair value of investments designated at fair value through profit or loss and gains and losses on disposal are recognised in the profit or loss as 'gains on investments held at fair value through profit or loss'. Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

d) Income

Income from fixed interest securities is recognised using the effective interest rate method. Income from equity securities is recognised on an ex-dividend basis. Bank interest and premiums on credit default swaps are recognised on an accruals basis within the revenue return column of the Statement of Comprehensive Income. In the event of a loan issuer default, the income for the relevant period is allocated to capital to reduce the capital loss arising. The interest rates differential contained within currency forward exchange contracts that hedge investment positions against currency risk are recognised within the revenue return, to the extent they are material, over the life of the contract.

e) Expenses

All administration expenses and interest payable are accounted for on an accruals basis. Expenses which are incidental to the purchase or sale of an investment are charged to the capital column of the Statement of Comprehensive Income and allocated to capital reserves. On the basis of the Board's expected long term split of returns equally between capital gains and income, the Company charges 50% of investment management fees, performance fees and finance costs to capital and the other 50% to revenue.

f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using the effective tax rate of corporation tax for the accounting period.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investments that were held through the subsidiary in Luxembourg suffered taxation on net gains on investments and on income.

g) Foreign currency

The results and financial position of the Company is expressed in pounds sterling, which is the functional currency of the Company because it is the currency of the primary economic environment in which the Company operates. Sterling is the currency by which dividends are returned to shareholders, share buy-backs and share issues are conducted and is the cost base of the Company.

Transactions recorded in overseas currencies during the period are translated into sterling at the appropriate daily exchange rates.

Assets and liabilities denominated in overseas currencies at the Company's Statement of Financial Position date are translated into sterling at the exchange rates ruling at that date.

h) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents have a term of three months or less, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

i) Bank borrowings

Interest-bearing bank loans are recorded as the proceeds are received, net of direct issue costs. After initial recognition bank loans are subsequently measured at amortised cost. Finance costs, including direct issue costs and interest payable on settlement or redemption, are accounted for on an accruals basis in the Company's Statement of Comprehensive Income using the effective interest rate method.

Gains and losses are recognised through profit or loss when the loans are de-recognised, as well as through the amortisation process.

The Company de-recognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

j) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

k) Derivative financial instruments

Derivative financial instruments, including credit default swaps, are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as they arise. If capital in nature, the associated change in value is presented as a capital item in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

l) Equity and reserves

Called up share capital represents the nominal value of ordinary shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that has not currently been distributed to the shareholders as a dividend.

The distributable reserve was created on cancellation of the share premium account on 20 September 2017.

The following are accounted for in the "capital reserve":

- Expenses and finance costs charged to capital;
- Gains and losses on the disposal of investments;
- Realised foreign exchange differences of a capital nature;
- Costs of repurchasing ordinary share capital;
- Increases and decreases in the valuation of investments held at the period end; and
- Unrealised foreign exchange differences of a capital nature.

m) Distributable reserves

Dividends can be paid from the revenue reserve, the distributable reserve and realised capital reserves.

n) Dividends payable to shareholders

Dividends payable to shareholders are recognised in the financial statements when they are paid. Dividends paid are disclosed in the Statement of Changes in Equity.

3 Investment income

	2018 £'000
Income from investments:	
Dividend income	267
Bond and loan interest	8,998
Premiums on credit default swaps	305
	9,570

4 Other operating income

	2018 £'000
Bank and other interest	5
	5

Notes to the Financial Statements (continued)

5 Management and performance fees

	2018		
	Revenue return £'000	Capital return £'000	Total £'000
Investment management fee	540	539	1,079
Performance fee	497	497	994
	1,037	1,036	2,073

A summary of the terms of the management agreement is given in the Strategic Report on page 3.

The Board and the Manager undertook a formal review of the management fee arrangements in September 2017 and mutually concluded that a performance fee is no longer appropriate in this low yielding environment. With effect from 1 November 2017 the performance fee was removed; the 18 month performance period to 30 April 2018 was truncated at 31 October 2017 and the performance fee for this period calculated and the performance fee was paid; the base management fee has been increased from 0.60% to 0.65% per annum of the Company's net assets. This means that with effect from 1 November 2017, the cap on total fees payable is 0.65% per annum of the Company's net assets rather than 1.20%.

The performance fee for the period ending 31 October 2017 has been calculated and totals £994,000.

6 Other expenses

	2018 £'000
Directors' fees and expenses (see page 28)	169
Auditor's remuneration – for audit services	36
Auditor's remuneration – for non-audit services	– ¹
Other expenses payable to the management company (marketing)	93
Bank and custody charges	13
Depositary fees	26
Registrar's fees	17
AIC subscriptions	13
Printing expenses	17
Listing fees	16
Other expenses	71
	471

1 Non-audit services provided by the auditor of £20,000 were paid to Ernst & Young as part of the reconstruction. These expenses have been capitalised and charged to share premium

7 Finance costs

	2018		
	Revenue return £'000	Capital return £'000	Total £'000
On bank loans payable within one year	210	209	419

8 Taxation

In the opinion of the Directors, the Company has complied with the requirements of Section 1158 and Section 1159 of the Corporation Tax Act 2010 and will therefore be exempt from corporation tax on any capital gains reflected in the capital return during the period. The Company has elected to designate all of the proposed and paid dividends as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income in the revenue return and results in a reduction of corporation tax being payable by the Company at 30 April 2018.

The standard rate of corporation tax in the UK was 19% for the period. However, the tax charge in the current period was lower than the standard effective tax rate, largely due to the reduction in corporation tax from the interest distributions noted in 8(a) overleaf. The effect of this and other items affecting the tax charge is shown in note 8(b) overleaf.

Notes to the Financial Statements (continued)

8 Taxation (continued)

a) Analysis of charge in the period

	2018		
	Revenue return £'000	Capital return £'000	Total £'000
Current tax:			
UK corporation tax	–	–	–
Irrecoverable overseas withholding tax	6	–	6
Tax recovered	(46)	–	(46)
Total tax charge for the period	(40)	–	(40)

b) Factors affecting the tax charge for the period

	2018		
	Revenue return £'000	Capital return £'000	Total £'000
Net return before taxation	7,857	(3,843)	4,014
UK corporation tax charge at 19%	1,493	(730)	763
Effects of:			
Income being paid as interest distributions	(1,477)	–	(1,477)
Other non-taxable income	(5)	–	(5)
Non-taxable gains on investments	–	493	493
Excess not deductible for tax purposes	4	–	4
Excess management expenses and loan relationships	(15)	237	222
Irrecoverable overseas withholding tax	6	–	6
Tax recovered	(46)	–	(46)
Total tax charge on ordinary activities	(40)	–	(40)

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current period.

The Company has not provided for deferred taxation on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company, which it intends to maintain for the foreseeable future.

d) Factors that may affect future tax charges

The Company has not recognised a deferred tax asset totalling £413,000 based on a prospective corporation tax rate of 17.0%. The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

9 Earnings/(loss) per ordinary share

The total earnings per ordinary share is based on the net profit attributable to the ordinary shares of £4,054,000 and on 188,686,956 ordinary shares, being the weighted average number of shares in issue during the period.

The total earnings can be further analysed as follows:

	2018 £'000
Revenue profit	7,897
Capital loss	(3,843)
Profit for the period	4,054
Weighted average number of ordinary shares	188,686,956
Revenue earnings per ordinary share	4.19p
Capital earnings per ordinary share	(2.04p)
Earnings per ordinary share	2.15p

The Company does not have any dilutive securities therefore basic and diluted earnings are the same.

Notes to the Financial Statements (continued)

10 Dividends

Dividends on ordinary shares	Record date	Payment date	2018 £'000
First interim dividend (1.25p) for the period ended 30 April 2018	15 September 2017	29 September 2017	2,370
Second interim dividend (1.10p) for the period ended 30 April 2018	8 December 2017	29 December 2017	2,086
Third interim dividend (1.10p) for the period ended 30 April 2018	9 March 2018	30 March 2018	2,086
			6,542

The fourth interim dividend has not been included as a liability in these financial statements as it was announced and paid after 30 April 2018.

The table below sets out the total dividends paid and to be paid and revenue available for distribution by way of dividend for the period.

	2018 £'000
Revenue available for distribution by way of dividends for the period	7,897
First interim dividend (1.25p) for the period ended 30 April 2018	(2,370)
Second interim dividend (1.10p) for the period ended 30 April 2018	(2,086)
Third interim dividend (1.10p) for the period ended 30 April 2018	(2,086)
Fourth interim dividend (1.10p) for the period ended 30 April 2018	(2,086)
Dividends paid from distributable capital reserve	853
	122

11 Investments designated at fair value through profit or loss

	2018 Total £'000
Cost at beginning of the period	–
Valuation at the beginning of the period	–
Movements in the period	
Assets received from Henderson Diversified Income Limited	180,302
Purchases at cost	149,690
Sales – proceeds	(123,481)
Realised losses on sales of investments designated at fair value through profit or loss	(2,494)
Movement in holding losses	(6,578)
Closing valuation at end of period	197,439
Cost at the end of the period	204,017
Holding losses	(6,578)
Closing valuation of investments at the end of the period	197,439
Losses/gains on investments designated at fair value through profit and loss	2018 £'000
Realised losses on sales of investments designated at fair value through profit and loss	(2,494)
Movement in investment holdings losses designated at fair value through profit and loss	(6,578)
Realised gains on sales of credit default swaps designated at fair value through profit and loss	647
Gains on credit default swaps designated at fair value through profit and loss	103
	(8,322)

During the period expenses amounting to £4,000 (£2,000 in respect of investment purchases and £2,000 in respect of investment sales) were incurred in acquiring or disposing of investments designated at fair value through profit or loss. These have been expensed through capital and are included within gains on investments at fair value through profit or loss in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

12 Other receivables

	2018 £'000
Amounts due from brokers	2,151
Prepayments and accrued income	2,960
Credit default swaps held at fair value through profit or loss	626
	5,737

13 Other payables

	2018 £'000
Amounts due to brokers	4,966
Interest payable	47
Other payables	515
Currency forward exchange contracts held at fair value through profit and loss	5,409
	10,937

14 Risk management policies and procedures

14.1 Market risk

Janus Henderson assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

14.1.1 Market price risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of quoted and unquoted investments.

Management of the risk

The Board of Directors manages the risks inherent in the investment policy by receiving full and timely reporting of relevant information from Janus Henderson. Investment performance is reviewed at each Board meeting. The Board monitors Janus Henderson's compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation.

The Company's exposure to changes in market prices on its investments was as follows:

	2018 £'000
High yield bonds	125,989
Investment grade bonds	46,186
Secured loans	19,677
Preference stock	4,043
Asset backed securities	1,544
	197,439

Market price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the period and the Company's net assets to an increase or decrease of 10% in the fair values of the Company's investments at the statement of financial position date. This level of change is considered to be reasonably possible based on observation of current market conditions.

	2018	
	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax		
Revenue return	(62)	62
Capital return	19,682	(19,682)
Change to profit after tax for the period and net assets	19,620	(19,620)

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk

A proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentation currency). As a result, movements in exchange rates may affect the sterling value of those items.

Management of the risk

Forward currency contracts are used to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are used to achieve the portfolio characteristics that assist the Company in meeting its investment objective. These contracts are limited to currencies and amounts equivalent to the asset exposure to those currencies.

Income denominated in foreign currencies is converted into sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The currency exposure of the Company's monetary items at 30 April is shown below. Where the Company's investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

	2018		
	AUD	US\$	EURO
Investments designated at fair value through profit or loss	1,275	125,984	11,833
Receivables (due from brokers, dividends and other income receivables)	11	1,638	1,146
Cash at bank and on deposit	–	18	14
Payables (due to brokers, accruals and creditors)	–	(2,376)	(1,396)
Forward currency sales	(1,274)	(124,493)	(12,204)
Credit default swaps	–	(57)	683
	12	714	76

The above amounts are not necessarily representative of the exposure risk during the period as levels of monetary foreign currency exposure change significantly throughout the period.

Foreign currency sensitivity

A 10% increase or decrease in the Euro/Sterling exchange rate would increase or decrease total equity by £8,000. A 10% increase or decrease in the US/Sterling exchange rate would increase or decrease total equity by £71,000. A 10% increase or decrease in the AUD/Sterling exchange rate would increase or decrease total equity by £1,000.

10% has been used for illustrative purposes and does not reflect the actual movement in currency rates during the period.

The above percentages are deemed reasonably possible based on the average market volatility in exchange rates in recent years. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at the Statement of Financial Position date, with all other variables held constant.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.3 Interest rate risk

Interest rate movements may affect:

- the fair value of fixed interest securities (bonds, loans and interest rate futures);
- the level of income receivable from fixed interest securities and cash at bank and on deposit; and
- the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Board reviews on a regular basis the values of the fixed interest rate securities.

The Company, generally, will not hold significant cash balances, with short term borrowings being used when required.

The Company had no interest rate futures in place at 30 April 2018.

Interest rate exposure

The exposure at 30 April 2018 of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re-set; and
- fixed interest rates – when the financial instrument is due for repayment.

	2018			
	Within one year £'000	One to five years £'000	More than five years £'000	Total £'000
Exposure to floating interest rates:				
Investments designated at fair value through profit or loss	–	1,963	23,301	25,264
Cash and cash equivalents	370	–	–	370
Bank loan	(26,810)	–	–	(26,810)
	(26,440)	1,963	23,301	(1,176)
Exposure to fixed interest rates:				
Investments held at fair value through profit or loss	–	10,025	162,150	172,175
	–	10,025	162,150	172,175

The above amounts are not necessarily representative of the exposure to interest rates during the period, as the level of exposure changes as investments are made and borrowings are drawn down and repaid.

At 30 April 2018, the Company had no exposure to interest rate futures and swaps, other than the credit default swaps.

Interest receivable is at the following rates:

- Interest received on cash balances, or paid on bank overdrafts and loans, is at margin over Libor or its foreign currency equivalent; and
- The weighted average effective interest rate of the Company's investments is 5.7%.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through cash balances and fixed income investments. The sensitivity of each exposure is as follows:

- Cash – Cash balances vary throughout the period. Cash balances at the period end were £370,000 and, if that level of cash was maintained for a full year, a 100 basis points change in LIBOR (up or down) would increase or decrease total return on ordinary activities after taxation by approximately £4,000.
- Fixed income investment sensitivity – The Company's investment portfolio at 30 April 2018 was valued at £193,396,000 and has a modified duration (interest rate sensitivity) of approximately 6.9 years. A 100 basis point change in short term interest rates (up or down), which is mirrored by an equivalent change in long term rates, would be expected to decrease or increase this portfolio's return by approximately £13,344,000.

14.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk

Liquidity risk is monitored by Janus Henderson on a daily basis to ensure financial liabilities can be paid as they fall due. Both the corporate bond portfolio and the loan portfolio although traded over the counter, should be able to be realised at or around the prevailing bid prices. The corporate bond portfolio is generally considered more liquid than the loan portfolio. The Company also has a multicurrency loan facility with Scotiabank of £45,500,000 (£35,500,000 with an additional £10,000,000 commitment being available), of which £26,810,000 was drawn down at 30 April 2018. This facility was renewed on 26 April 2018 and is due to expire on 14 August 2018. The interest rate currently charged on the loan is 0.925% above Libor. The facility between Scotiabank and the Company is secured by a first priority security interest over all the assets of the Company. The Board gives guidance to Janus Henderson as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short term borrowings be used to manage short term cash requirements.

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 30 April, based on the earliest date on which payment can be required was as follows:

	At 30 April 2018			
	3 months or less £'000	More than 3 months, less than one year £'000	More than one year £'000	Total £'000
Current liabilities				
Amounts due to brokers, accruals and tax payable	10,890	–	–	10,890
Interest accrual on bank loan	47	–	–	47
Bank loan	26,810	–	–	26,810
	37,747	–	–	37,747

The asset maturity of the portfolio as at 30 April was as follows:

	Value at 30 April 2018					Total £'000
	Less than 5 years £'000	More than 5 years, less than 10 years £'000	More than 10 years, less than 20 years £'000	More than 20 years £'000	Perpetuity £'000	
High yield bonds	9,216	85,082	5,695	2,691	23,305	125,989
Investment grade bonds	809	15,748	2,078	13,423	14,128	46,186
Secured loans	1,963	17,714	–	–	–	19,677
Preference stock	–	–	–	–	4,043	4,043
Asset backed securities	–	–	–	1,544	–	1,544
	11,988	118,544	7,773	17,658	41,476	197,439

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

The risk is significant, and is managed as follows:

- where Janus Henderson makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to determine the risk to the Company of default;
- investments in bonds and loans are made across a variety of industry sectors and geographical markets, so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by Janus Henderson and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings (currently BNP Paribas Securities Services (London) and Scotiabank Europe PLC whose credit ratings are A1 and Aa2 respectively).

Credit derivatives are used as a way of managing the aggregate credit exposure of the Company without buying or selling a physical bond/loan. The primary credit derivatives used are credit default swaps.

To the extent that the credit derivative exposure is not covered by cash held by the Company then any net long exposure would act as synthetic gearing. Credit default swaps are used by Janus Henderson for two purposes. By selling protection (going long risk) Janus Henderson can increase the Company's exposure to a particular reference entity. In return for taking this credit risk the Company will receive a specified income over the life of the contract but will be exposed to capital losses should the reference entity breach the terms of the contract (e.g. default) in the intervening period. This reference entity may be a specific company, or in the case of ITRAXX indices, a basket of credit exposures, for example senior financials. At 30 April 2018, the gross exposure to single name credit default swaps and ITRAXX indices was £448,000 and £6,736,000 respectively.

The Company also has exposure of £6,736,000 in respect of credit default swaps where protection has been sold.

By contrast Janus Henderson may buy protection (take a short risk position) on a reference entity to reduce the overall credit exposure. This would involve the payment of premium in order to protect against possible capital losses in the future. At 30 April 2018 the protection purchased was £448,000.

The credit quality of bonds and secured loans is reviewed in the Fund Managers' Report and Investment Portfolio on pages 7 and 8 and pages 9 to 11 respectively. None of the Company's financial assets are past due or impaired.

The credit ratings of the investment portfolio are detailed in the table below:

Rating	2018 Market Value £'000	2018 % of Portfolio £'000
A	2,645	1.3
BBB	44,196	22.4
BB	87,586	44.4
B	33,252	16.8
CCC	5,323	2.7
Non rated	4,760	2.4
Secured loans	19,677	10.0
	197,439	100.0

14.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities, are either carried in the Statement of Financial Position at their fair value (investments and derivatives) or the Statement of Financial Position amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals and cash at bank).

Current assets and current liabilities: forward currency sales are valued on the basis of exchange rates for a similar contract for the same residual duration, as provided by the counterparty. The amount of change in fair value for such forward exchange contracts recognised in the Income Statement for the period was a loss of £5,409,000. The forward currency transactions serve to hedge back the value of Euro and US Dollar denominated securities to sterling.

Credit default swaps are fair valued. The amount of change in fair value recognised in the Statement of Comprehensive Income for the period for credit default swaps was a gain of £103,000.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.5 Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 13 fair value hierarchy.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Investment	177,762	19,677	–	197,439
Credit default swaps	–	626	–	626
	177,762	20,303	–	198,065
Financial liabilities at fair value through profit or loss:				
Currency forward exchange contracts	–	5,409	–	5,409
	–	5,409	–	5,409

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – value using quoted prices in active markets for identical assets;

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1.

The Company's interests in secured loans and credit default swaps are included within Level 2. Also included here are forward exchange contracts which have resulted in unrealised losses of £5,409,000; and

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data. There were no transfers to or from Level 3 during the period.

14.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it has sufficient capital to operate; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The policy is that debt should be between 0% and 40% of equity.

The Company had borrowings totalling £26,810,000 at 30 April 2018.

As at 30 April 2018, the ratio of borrowings to net assets under the facilities was 16.2%.

The Board with the assistance of Janus Henderson monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing which takes into account the Fund Managers' view on the market;
- the ability to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares; and
- the extent to which distributable capital reserves should be used to make dividend payments and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to the following externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000;
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the capital restrictions tests imposed on investment companies by law and its Articles of Association; and
- Under the multicurrency facility now in place, borrowings shall be repaid at any time the adjusted asset coverage is not less than 3.30 to 1.00 (as defined in the agreement) or the borrowings exceed such limits as prescribed in the Company's original prospectus.

The Company has complied with these requirements during the period.

Notes to the Financial Statements (continued)

15 Share capital

	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 1p each			
At start of period	–	–	–
Issued on 27 April 2017	182,193,240	182,193,240	1,822
Shares issued subsequent to 27 April 2017	7,425,000	7,425,000	74
At 30 April 2018	189,618,240	189,618,240	1,896

On 27 April 2017, 182,193,240 shares were issued when Henderson Diversified Income Limited, a closed-ended company registered under the Companies (Jersey) Law 1991 was subject to a scheme of reconstruction. All its assets and liabilities were transferred to the Company at this date.

During the period under review the Company issued 189,618,240 shares for net proceeds of £168,287,000. Included in the issue of 189,618,240 ordinary shares during the period were 182,193,240 ordinary shares issued following the scheme of reconstruction and voluntary winding up of Henderson Diversified Income Limited whereby investors in the predecessor company had their shareholdings transferred to the Company. The net proceeds of £161,418,000 received from this transaction comprised £180,302,000 investments, £5,324,000 cash and £24,208,000 other net current liabilities, these included all assets and liabilities held in the subsidiary.

The holders of ordinary shares are entitled to all the capital growth in the Company and all the income from the Company that is resolved by the Directors to be distributed. Each shareholder present at a general meeting has one vote on a show of hands and on a poll every member present in person or by proxy has one vote for each share held.

16 Share premium account

	2018 £'000
At start of period	–
Premium on shares issued on 27 April 2017	160,056
Issue costs	(460)
Premium on shares issued subsequent to 27 April 2017	6,795
Transfer to distributable reserve following cancellation of share premium account	(166,391)
At end of period	–

On 20 September 2017 the Company announced that the High Court confirmed the cancellation of the Company's share premium account and that the Company's distributable reserve can be applied in any manner in which the Company's profits available for distribution may be applied.

17 Distributable reserve

	2018 £'000
At start of period	–
Transfer from share premium account following cancellation	166,391
First interim dividend – 0.25p	(474)
Second interim dividend – 0.20p	(379)
At 30 April	165,538

During the period the Company paid part of the first interim dividend of 0.25p and second interim dividend of 0.20p from the Distributable reserve.

Notes to the Financial Statements (continued)

18 Capital reserves

2018	Capital reserve arising on revaluation on investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At start of period	–	–	–
Exchange movements	(4,950)	10,674	5,724
Movement in unrealised depreciation	(6,578)	–	(6,578)
Losses on investments	–	(2,494)	(2,494)
Costs charged to capital	–	(1,245)	(1,245)
Movement in credit default swaps	103	647	750
At 30 April 2018	(11,425)	7,582	(3,843)

19 Net asset value per ordinary share

The net asset value per ordinary share is based on the net asset value attributable to ordinary shareholders at the 30 April 2018 of £165,799,000 and on 189,618,240 ordinary shares, being the number of ordinary shares in issue at the period end.

20 Contingent liabilities

There were no contingent liabilities as at 30 April 2018.

21 Subsidiary

On the transfer of the assets and liabilities from the predecessor company, the Company acquired beneficial ownership of the investments held through Henderson Diversified Income (Luxembourg) S.a.r.l (the 'subsidiary'). On 24 October 2017 the subsidiary was subject to a deed of dissolution, without liquidation, with immediate effect in accordance with the Luxembourg Civil Code.

22 Transactions with the Manager and Related Parties

Under the terms of an agreement effective from 3 March 2017, the Company appointed Janus Henderson to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic Report on page 3. The total fees paid or payable under this agreement to Janus Henderson in respect of the period ended 30 April 2018 were £1,079,000 (see note 5) of which £358,000 is included in accruals at 30 April 2018.

As part of a review of the management fee arrangements in September 2017 it was concluded that a performance fee was no longer appropriate. With effect from 1 November 2017 the performance fee was removed; the 18 month performance period to 30 April 2018 was truncated at 31 October 2017 and the performance fee of £994,000 (see note 5) was paid to Janus Henderson.

In addition to the above services, Janus Henderson has provided the Company with sales and marketing services during the period. The total fees paid or payable for these services for the period ended 30 April 2018 amounted to £93,000 of which £20,000 was outstanding at 30 April 2018.

The compensation payable to key management personnel in respect of short term employment benefits was £163,000. The disclosure relates wholly to the fees of £163,000 payable to the Directors in respect of the period; the Directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on pages 27 and 28 provides more detail. The Company has no employees.

23 Changes in Financial Liabilities

	At start of period £'000	Transfer during the periods £'000	Cash flows £'000	Exchange movements £'000	30 April 2018 £'000
Bank loans (see note 14.2)	–	29,935 ¹	(3,125)	–	26,810
Total net debt	–	29,935	(3,125)	–	26,810

¹ On 27 April 2017, as part of the scheme of reconstruction, the existing bank loan in the predecessor company was transferred to the Company

General Shareholder Information

AIFMD disclosures

In accordance with the Alternative Investment Fund Managers Directive ('AIFMD'), information in relation to the Company's leverage and remuneration of Janus Henderson, as the Company's Alternative Investment Fund Manager ('AIFM') are required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document called 'AIFM Disclosure' which can be found on the Company's website.

BACS

Dividends can be paid by means of BACS ('Bankers' Automated Clearing Services'); mandate forms for this purpose are available from the registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 14) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard ('CRS')

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information will have to be provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

Copies of this report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Foreign Account Tax Compliance Act ('FATCA')

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the USA) to file yearly reports on their non-USA financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities 'regularly traded on an established securities market', investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company will therefore need to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report USA reportable accounts to HMRC, as required.

General Data Protection Regulation ('GDPR')

GDPR came into force on 25 May 2018. A privacy statement can be found on the website www.janushenderson.com.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investments status ('NMPI')

The Company currently conducts its affairs so that its ordinary shares of par value can be recommended by IFAs to ordinary retail investors in accordance with the Financial Conduct Authority's ('FCA') rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products as the Company's portfolio is wholly or predominantly made up of shares, debentures or government and public securities which are not themselves issued by other investment funds.

Packaged Retail and Insurance-based Investment Products Regulation ('PRIIPs')/ Key Information Document ('KID')

Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General Shareholder Information (continued)

Performance details/share price information

Details of the Company's share price and NAV per share can be found on the website (www.hendersondiversifiedincome.com). The Company's NAV is published daily.

Shareholder details

Shareholders who hold their shares in certificated form can check their shareholding with the registrar, Computershare Investor Services PLC, via www.computershare.com. Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Share price listings

The market price of the Company's ordinary shares is published daily in The Financial Times, which also shows figures for the estimated NAV per share and discount.

The market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Warning to shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC would make unsolicited telephone calls to shareholders. Any such calls would relate only to official documentation already circulated to shareholders and would never offer investment 'advice'. If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary at the number provided on page 14.

Henderson Diversified Income Trust plc
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MANAGED BY
Janus Henderson
INVESTORS

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The Association of
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