

Annual Report 2020

Henderson Diversified Income Trust plc



MANAGED BY
Janus Henderson
INVESTORS

Summary

The Company aims to provide a high level of income to shareholders whilst at the same time preserving capital growth over the long-term.

The Company aims to deliver this outcome by investing in a diversified portfolio of global fixed and floating rate income assets. It may also invest in high yielding equities and derivatives.

The Fund Managers take a dynamic approach to portfolio allocation across asset classes and can invest in assets of any size, sector, currency or issued from any country.

Please refer to the Company's investment objective and policy on page 18 for more details.

Strategic Report

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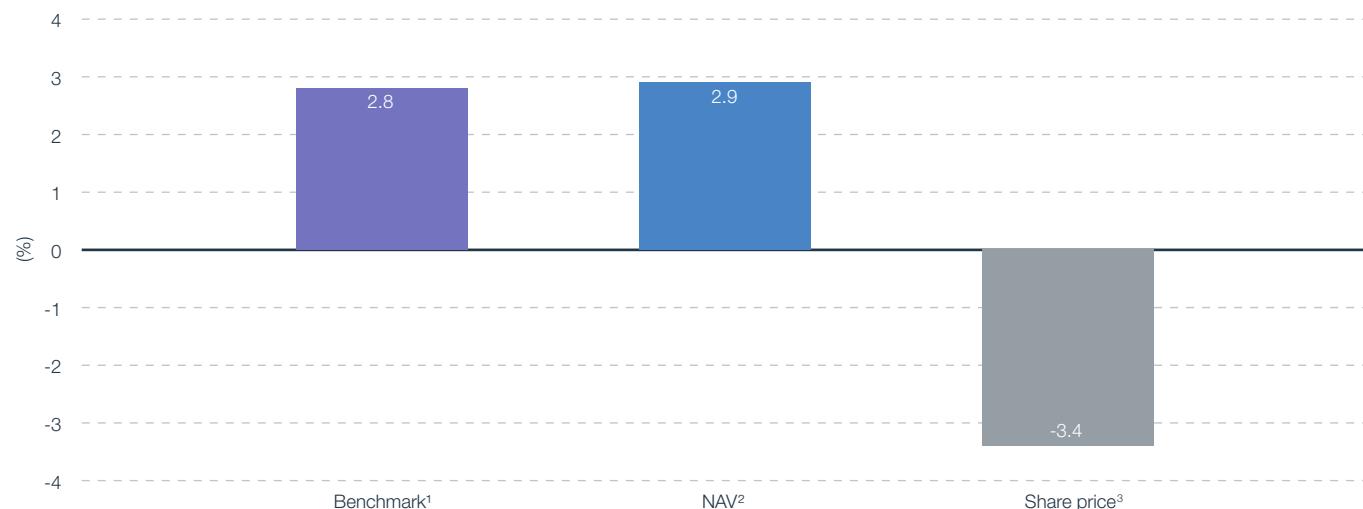
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Performance Highlights

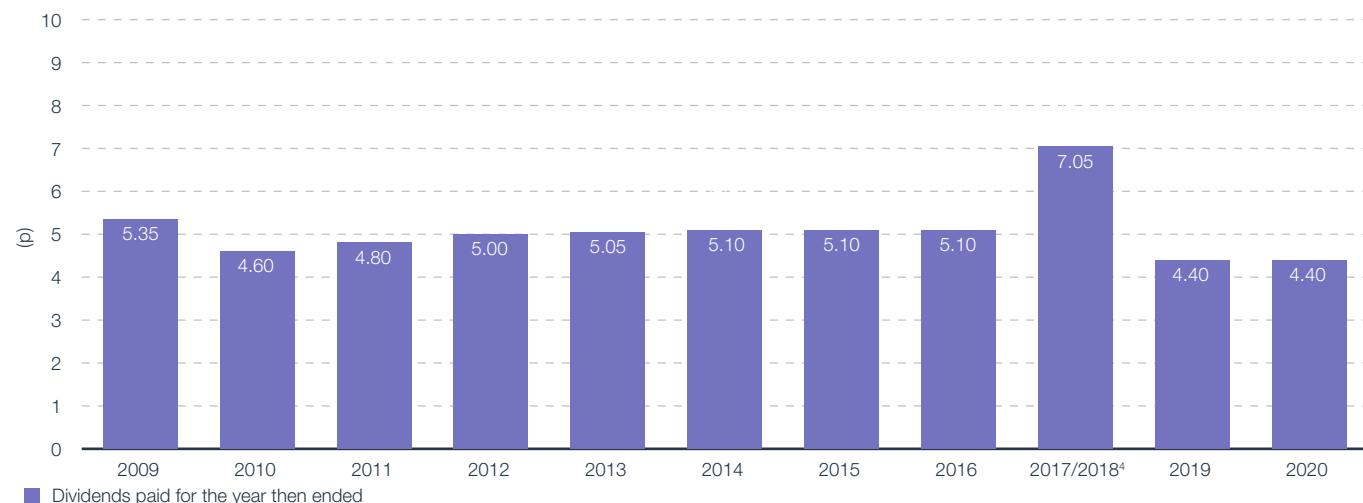


Strategic Report: Performance Highlights

Total return performance for year to 30 April 2020



Dividend per share



Source: Henderson Diversified Income Trust plc Annual Reports

Premium/(discount) to net asset value for the year



Sources: Morningstar for the AIC and Janus Henderson

Strategic Report: Performance Highlights (continued)

NAV per share

2020 **85.00p**
2019 **86.82p**

Share price³

2020 **83.00p**
2019 **90.80p**

Revenue return per share

2020 **4.40p**
2019 **4.47p**

Net assets

2020 **£162.6m**
2019 **£164.6m**

Dividend per share

2020 **4.40p**
2019 **4.40p**

Dividend yield⁵

2020 **5.30%**
2019 **4.85%**

Ongoing charge⁵

2020 **0.89%**
2019 **0.89%**

Financial gearing⁵

2020 **15.38%**
2019 **9.83%**

Number of portfolio investments held at 30 April

2020 **98**
2019 **82**

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

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

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

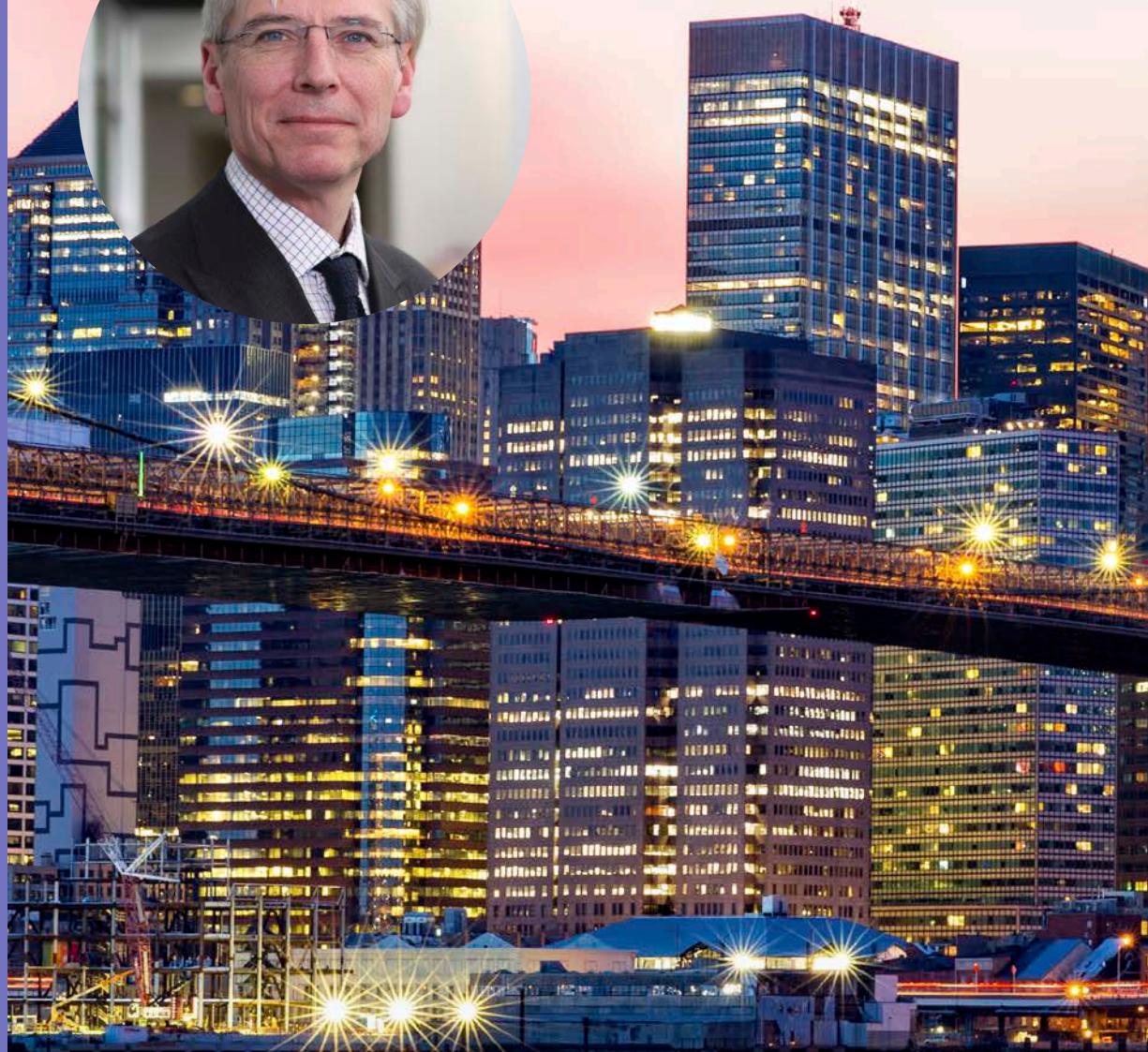
4 During 2017/2018, the Company changed its year end to 30 April (from 31 October) following the redomicile to the United Kingdom. Six dividends were paid in the 18 month period from 1 November 2016 to 30 April 2018, comprising two dividends totalling 2.50p from Henderson Diversified Income Limited and four interest distributions from Henderson Diversified Income Trust plc totalling 4.55p

5 A Glossary of Terms and Alternative Performance Measures can be found on pages 76 to 79

Chairman's Statement



Angus Macpherson
Chairman



Strategic Report: Chairman's Statement

Introduction

Writing in June, it seems as if we are reaching the end of the first Act of the COVID-19 pandemic. We are only now starting to understand the real cost to society of this pervasive virus.

The economic impact is unlike other recent crises, being “event” driven rather than being caused by speculative financial excess. In theory, recovery from event driven shocks should be more rapid than from a financial crisis; once the virus has been controlled, business could return to normal. But as we saw in March, an event driven crisis can easily become a financial one. The decisive policy response by Central Banks which flooded the market with liquidity averted this, at least for the time being, allowing significant fundraising and a rally in asset prices.

This rally was selective. Again, this has been a period where the Fund Managers’ focus on what they describe as “sensible income” has proved prescient. The private sector will emerge from lockdown with significant additional debt. Companies that entered the crisis operationally and financially geared will face real challenges; the market seems to be judging that only those companies with a clear competitive advantage are likely to perform in the near future. Broadly, this is the universe your Fund Managers had focussed on even prior to the crisis.

Performance

Notwithstanding the extraordinary volatility of asset prices in March, the Company saw a positive NAV total return of 2.9% to shareholders for the year to 30 April 2020. This remarkable performance did not look likely in March when NAV per share had fallen to 71.0p. As it turned out at the year end there had been only a modest decline in NAV per share to 85.0p from 86.8p, following the payment of a covered dividend to shareholders of 4.40p per share during the year.

Dividends

For the year ended 30 April 2020, a third interim dividend of 1.10p per ordinary share was paid on 31 March 2020 and a fourth interim dividend of 1.10p per ordinary share was paid on 30 June 2020 making a total of 4.40p per ordinary share for the year, in line with our expectations. These dividends have been paid as interest distributions for UK tax purposes. More information about interest streaming can be found in the Glossary on page 77.

As interest rates have fallen over the course of the last three decades there has been relentless downward pressure on the Company’s income. The recent turmoil in markets allowed the Fund Managers to buy bonds at better yields. This has relieved the immediate pressure, but shareholders are warned that if the Fund Managers’ outlook of continued low interest rates for at least the next decade proves correct, this relief will be only temporary.

Annual General Meeting (AGM)

Given the current ongoing restrictions and social distancing measures imposed by the UK government as a result of the COVID-19 pandemic, the Board advises shareholders that this year’s AGM will take place at 11.30am on Tuesday 15 September 2020 as a “closed meeting”, with only the Board

and Registrar present to meet the quorum requirements as set out in the Company’s Articles. Other shareholders, corporate representatives and proxies will not be able to attend the AGM.

This year’s voting on the resolutions will therefore be conducted on a poll rather than a show of hands. The Board strongly encourages all shareholders to submit their proxy forms to ensure their vote counts at the AGM. Further instructions on proxy voting can be found in the proxy form sent to shareholders with this Annual Report (for those shareholders that hold shares in their own name) and/or pages 7 to 8 of the Notice of 2020 Annual General Meeting. Both documents are available on the Company’s website www.hendersondiversifiedincome.com.

If you hold your shares in a nominee account, such as through a share dealing service or platform, you will need to contact your provider and ask them to submit the proxy votes on your behalf.

The Board encourages shareholders to submit any questions they may have in relation to the Annual Report for the year ended 30 April 2020 or the resolutions being proposed at the AGM, in advance, by contacting the Company Secretary at itsecretariat@janushenderson.com or calling 020 7818 2345. Questions received will be forwarded to the Board and/or the Fund Managers and individual responses will be provided.

The Board are pleased to invite shareholders to attend a virtual Fund Managers presentation for the year ended 30 April 2020 which will be held at 12 noon on Tuesday 15 September 2020. You can access the presentation using this link: <https://jhi.zoom.us/j/94133800579>.

Outlook

Pleasingly, a collective noun for swans is a bank. At this time there would appear to be any number of bad banks of black swans. Any one of these has the potential to disrupt our fragile steps towards normality and cause a more serious crisis.

For the moment, markets have rallied which reflects the longer term view of an eventual recovery to economic growth, but it is clear that the range of outcomes is much broader and potentially more extreme than usual.

For those whose objective is to generate income, base rates are at an all time low and gilts have been auctioned on negative yields. Many equities look much less attractive than before the pandemic as their yield has proved unsustainable and their capital has been impaired. Careful investment in riskier credits, however, has been a successful strategy for our Fund Managers to date, delivering income in excess of inflation and largely protecting capital.

Shareholders would be wise to anticipate volatility and unforeseen shocks, but the Fund Managers continue to believe low interest rates may persist for the foreseeable future. They remain confident that investing in credit for “sensible income” is the most attractive strategy in these circumstances. As shareholders we should all wish them well.

Angus Macpherson
Chairman

Fund Managers' Report



John Pattullo



Jenna Barnard



Strategic Report: Fund Managers' Report

As we are sure readers will agree, the twelve months through 30 April 2020 involved quite extraordinary developments for investors in response to the global health threat known as COVID-19 and the corresponding government reaction across the world. Whilst economies were put into induced comas via shutdown policies, fiscal and monetary authorities responded with remarkable largesse in order to try and minimise corporate and household financial distress.

The rationale for this was to ensure that as much of the economy as possible survived the economic crash such that the recovery phase would be vigorous. For policymakers, doing too much was viewed as a lesser risk to doing too little and as a result, the relationship between GDP declines and likely default rates was broken to the benefit of corporate bond investors. In addition to this general approach, corporate bond markets in which we invest became a specific target for Central Banks who committed to buying large quantities of not only investment grade corporate bonds (something that the ECB & BoE had been doing since 2016) but, in the case of the US Federal Reserve, also select high yield (lower rated) bonds. By doing so, Central Banks catalysed a surge in demand for corporate bonds as an asset class which were already trading at extremely cheap levels. Corporates took advantage of this demand and investment grade issuance broke all historic records between late March and mid-May.

Not only was the quantum of issuance record breaking but this liquidity was freely available for even lower rated corporates in high yield and those industries directly affected by the crisis (cruise lines, airlines, hotels). Central Bank policies generated a willingness of investors to lend money which made the crisis very different to 2008/09 when liquidity was not flowing for months at a time.

The COVID-19 pandemic and the policy response is still evolving at the time of writing (early June) and much of course, remains unknown about this situation. In the following paragraphs we will set out our thought process through the dislocations in March 2020, the actions that were taken and how this leaves the Company positioned going forward.

During the year under review, the NAV of the Company declined modestly from 86.8p to 85.0p through to 30 April 2020 but the drawdown in March 2020 was a historic extreme in terms of its speed and severity, reflected in the NAV declining as far as 71.0p. Much has been written about the unprecedented collapse in market liquidity and, as a result, prices, during a few short weeks. Our favourite example to use to illustrate conditions is the McDonalds 4.875% bond maturing in 2045 which was held by the Company. This highly rated (single A), household name saw the price of its bonds plummet along with every other company, in this case from a high of 130c on the dollar in early March 2020 to 95c on the dollar on 20 March before subsequently recovering to its original price by mid-April 2020.

Credit spreads at highest levels since Global Financial Crisis

US Investment Grade and High Yield spreads since 1996

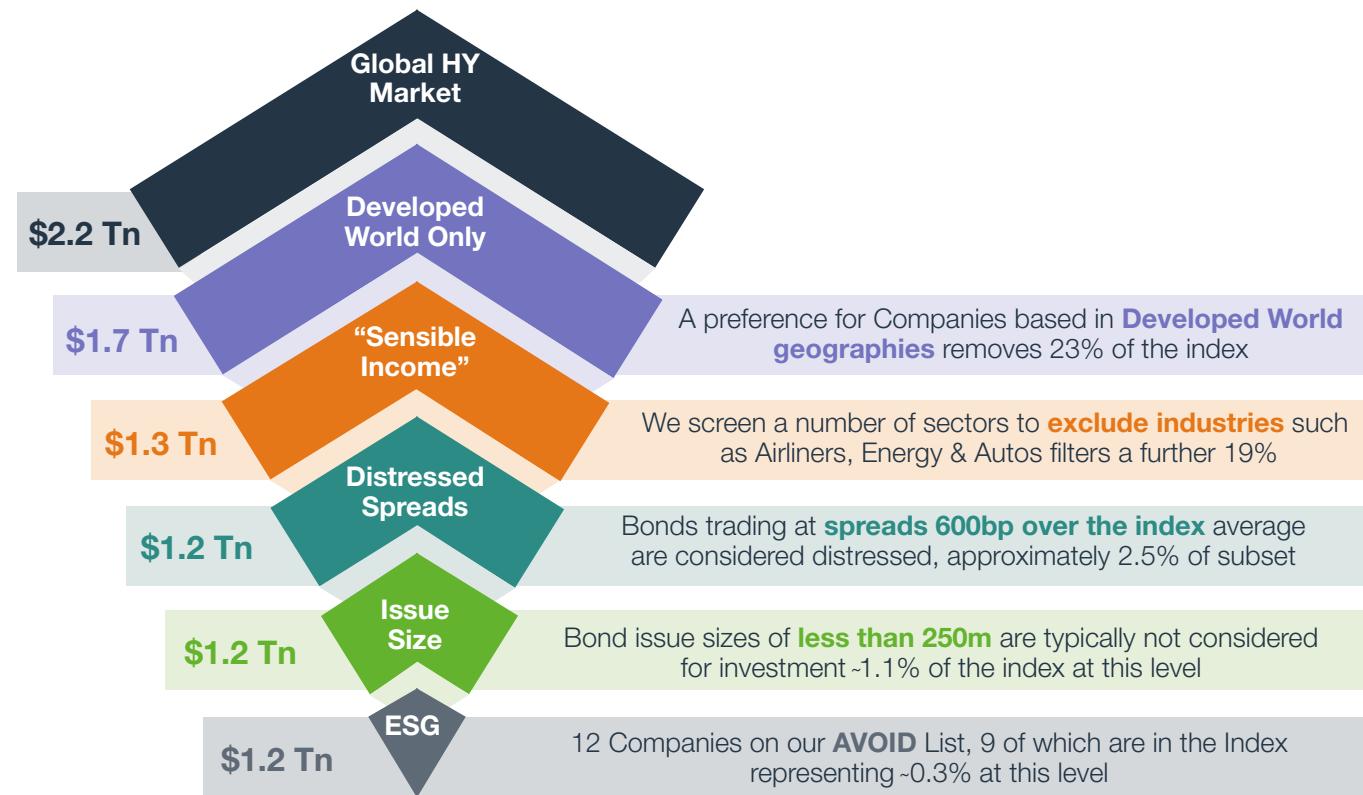


Source: Janus Henderson Investors, BofAML as at 30 April 2020

When thinking about the NAV of the Company we remained confident throughout the turbulence that the companies we have chosen to lend money to would survive this crisis. This reflects our radical style of credit investing which we have called "sensible income": it rules out half of the global high yield market as uninvestable and about a third of the investment grade market. The reason we will not lend shareholders' money to this much of the corporate bond market is due to their history of poor cash flow return on investment, excessive cyclicity and operational leverage. Combining these attributes with financial leverage (and hence corporate bonds) is clearly a recipe for defaults. Thus it is no surprise to know that we had no exposure to airlines, autos and non-food retailers let alone any commodity related businesses or emerging market exposure. Within the banking exposure, a large income pool for credit investors to fish in, we restrict ourselves broadly to UK, Swiss and US banks.

Strategic Report: Fund Managers' Report (continued)

Our credit screening methodology



Source: Janus Henderson Investors, BofAML as at 30 April 2020

We did however, have exposure to a number of leisure companies that saw their businesses come to a complete halt as a result of the shutdown. These were through quality businesses with a history of growth and strong returns and which, as a result, had a significant equity cushion sitting beneath the bond. In the case of Center Parcs, the private equity investor who on 24 March 2020 organised a call with bondholders to express commitment to the business and a willingness to fund it through the difficult period if needed. Other businesses that fall in this bucket would include Merlin (Legoland etc) in which we bought additional new bonds issued with a 7% coupon in April, Live Nation (\$11bn market cap at the time of writing vs \$5bn of debt) and Casino companies in the US. It is our belief that the rapid recovery in the NAV of the Company reflects the quality of the underlying investments and it will be pleasing to see these businesses thrive in the future.

The dividend was held constant at 4.40p for the year under review. The actions taken during the sell-off have served to put the dividend in a more comfortable position for the

balance of the year. As Fund Managers we viewed the rapid rise in corporate bond yields in March as a unique opportunity to increase the income of the Company by adding credit risk. This was done through direct high yield and investment grade corporate bond purchases (funded by the sale of low yielding investment grade bonds, often short dated). In addition, we used credit derivatives to add gearing to the Company and take advantage of generic valuation levels in the European high yield market via an instrument known as the Itraxx Crossover Index. This is the benchmark credit derivative index in this area and is highly liquid for a company the size of Henderson Diversified Income as it trades in sizes of billions of euros a day. We had reduced the dividend and leverage over time and expressed an ambivalence to credit market valuations in the last Annual Report. However, we are pragmatists at heart, despite a level of realism about the global economy and interest rates that some have found depressing at times, and excited by the valuations on offer in March. In essence, the corporate bond market had priced in far too many defaults at this time.

Strategic Report: Fund Managers' Report (continued)

Income gearing

“Income” gearing is at its highest and has increased 8.8% since January



Source: Janus Henderson Investors, as at 30 April 2020

At this point we should turn to the outlook. Having increased the gearing of the Company to take advantage of cheap valuation levels in the corporate bond market and boost income, the Company is also clearly a more risky proposition in terms of the performance of riskier assets more generally. As mentioned earlier, the virus remains unknown in many regards, but we are today armed with a greater degree of knowledge regarding the public health measures needed to confront it. That is to say, the catastrophic “denial” phase of late January to mid-March will not be returned to. For credit markets specifically, a large degree of the move higher in credit spreads in every economic or market downturn is related to liquidity and systemic risk. Authorities in this unique crisis have served to underwrite credit markets in both respects. In Central Bank parlance you could say that there is no “moral hazard” i.e. there is no bad apple which caused this crisis and hence Central Banks are willing to provide support freely to companies, markets and the economy. Default risk will continue to plague the lower end of the credit market in sectors which have proven vulnerable for many years: retail, energy, airlines and which as a result, neither bond nor equity investors are willing to bailout. We find these easy to ignore and continue to focus on generating income in a sustainable and sensible manner in a world in which interest rates are unlikely to rise meaningfully if at all for yet another decade.

John Pattullo and Jenna Barnard
Fund Managers

Portfolio and Financial Information



Strategic Report: Investment Portfolio as at 30 April 2020

High Yield Bonds¹

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Elanco	\$	US	Consumer non-cyclical	4,708	2.51
Service Corp	\$	US	Consumer non-cyclical	4,703	2.51
Sirius	\$	US	Communications	4,335	2.31
IMS	\$	US	Technology	4,328	2.31
Aramark	\$	US	Consumer cyclical	4,108	2.19
Phoenix	£	UK	Financials	3,999	2.13
Co-Operative Group	£	UK	Consumer non-cyclical	3,856	2.05
CSC	\$	US	Communications	3,450	1.84
Altice	\$	US	Communications	3,194	1.70
Lloyds Group	£/\$	UK	Financials	3,087	1.65
CPUK Finance	£	UK	Consumer cyclical	3,042	1.62
TransDigm	\$	US	Industrials	3,022	1.61
Crown	\$	US	Industrials	2,929	1.56
Catalent	Euro/\$	US	Consumer non-cyclical	2,881	1.54
Barclays	£/\$	UK	Financials	2,739	1.46
Ardagh	Euro/\$	Ireland	Industrials	2,649	1.41
T-Mobile	\$	US	Communications	2,438	1.30
Virgin Media	£/\$	UK	Communications	2,368	1.26
CCO	\$	US	Communications	2,349	1.25
Cott	\$	Canada	Consumer non-cyclical	2,254	1.20
Ziggo	\$	US	Communications	2,083	1.11
Royal Bank of Scotland	\$	UK	Financials	2,051	1.09
1011778 BC ULC	\$	US	Consumer cyclical	1,975	1.05
Reynolds	\$	New Zealand	Industrials	1,910	1.02
Arqiva	£	UK	Communications	1,847	0.98
Boyd	\$	US	Consumer cyclical	1,843	0.98
HCA	\$	US	Consumer non-cyclical	1,773	0.94
Credit Suisse	\$	US	Financials	1,757	0.94
UBS	\$	Switzerland	Financials	1,701	0.91
Galaxy	£	UK	Financials	1,649	0.88
Live Nation	\$	US	Consumer cyclical	1,608	0.86
Match	\$	US	Communications	1,378	0.73
Lamb	\$	US	Consumer non-cyclical	1,363	0.73
Yum!	\$	US	Consumer cyclical	1,339	0.71
MSCI	\$	US	Technology	1,252	0.67
WMG	\$	US	Consumer cyclical	1,218	0.65
Santander	£	UK	Financials	1,151	0.61
Camelot	\$	US	Technology	1,081	0.58
Station	\$	US	Consumer cyclical	1,069	0.57
Motion Bondco	Euro/\$	UK	Consumer cyclical	954	0.51
Post	\$	US	Consumer non-cyclical	938	0.50
KFC	\$	US	Consumer cyclical	859	0.46
Front Range	\$	US	Communications	781	0.42
Stars	\$	US	Consumer cyclical	717	0.38
Vici	\$	US	Financials	657	0.35
Trivium	\$	US	Industrial	606	0.32
Citigroup	\$	US	Financials	599	0.32
Direct Line Insurance	£	UK	Financials	528	0.28
Synlab	Euro	UK	Consumer non-cyclical	500	0.27
Twitter	\$	US	Communications	466	0.25
Hilton	\$	US	Consumer cyclical	444	0.24
Lamar	\$	US	Communications	432	0.23
iHeartCommunications	\$	US	Communications	288	0.15
Ball	\$	US	Industrials	159	0.08
Total High Yield Bonds				105,415	56.18

¹ Please refer to the Glossary on pages 76 to 77

Strategic Report: Investment Portfolio as at 30 April 2020

(continued)

Investment Grade Bonds¹

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
American Tower	\$	US	Financials	5,192	2.77
Verizon Communications	\$/AUD	US	Communications	4,668	2.49
Crown Castle	\$	US	Industrials	4,577	2.44
Tesco	£	UK	Consumer non-cyclical	3,047	1.62
Becton Dickson	\$	US	Consumer non-cyclical	2,910	1.55
Equinix	\$	US	Financials	2,898	1.54
Anheuser	\$	US	Consumer non-cyclical	2,660	1.42
Boston Scientific	\$	US	Consumer non-cyclical	2,523	1.34
Aviva	£	UK	Financials	2,456	1.31
Comcast	\$	US	Communications	2,389	1.27
Relx	\$	US	Consumer non-cyclical	2,106	1.12
Constellation Brands	\$	US	Consumer non-cyclical	2,016	1.07
Diamond	\$	US	Technology	1,997	1.07
Charter Communications	\$	US	Communications	1,839	0.98
Prudential	\$	UK	Financials	1,808	0.96
Axa	£	France	Financials	1,801	0.96
Hasbro	\$	US	Consumer cyclical	1,749	0.93
Priceline	\$	US	Consumer cyclical	1,708	0.91
Bacardi	\$	Bermuda	Consumer non-cyclical	1,707	0.91
VMware	\$	US	Technology	1,673	0.89
Zoetis	\$	US	Consumer non-cyclical	1,555	0.83
McDonald's	\$	US	Consumer cyclical	1,468	0.78
IHS	\$	US	Consumer non-cyclical	1,259	0.67
Scottish Widows	£	UK	Financials	1,140	0.61
BUPA	£	UK	Financials	1,095	0.58
Sysco	\$	US	Consumer non-cyclical	1,074	0.57
T-Mobile	\$	US	Communications	839	0.45
Marriott	\$	US	Consumer cyclical	826	0.44
GBL	\$	US	Financials	816	0.44
GLP	\$	US	Financials	742	0.40
HCA	\$	US	Consumer non-cyclical	686	0.37
Broadcom	\$	US	Technology	683	0.36
Digital Reality	\$	US	Financials	679	0.36
HSBC	\$	UK	Financials	678	0.36
Dell	\$	US	Technology	652	0.35
Booking	\$	US	Communications	576	0.31
Carnival	\$	US	Consumer cyclical	447	0.24
Swiss	\$	US	Financials	173	0.09
Legal & General	£	UK	Financials	122	0.07
Thermo	\$	US	Consumer non-cyclical	37	0.02
Total Investment Grade Bonds				67,271	35.85

¹ Please refer to the Glossary on pages 76 to 77

Strategic Report: Investment Portfolio as at 30 April 2020

(continued)

Asset Backed Securities¹

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Tesco Property Finance	£	UK	Consumer non-cyclical	1,684	0.90
Total Asset Backed Securities				1,684	0.90

Preference Stock¹

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Nationwide Building Society	£	UK	Financials	3,722	1.98
Total Preference Stock				3,722	1.98

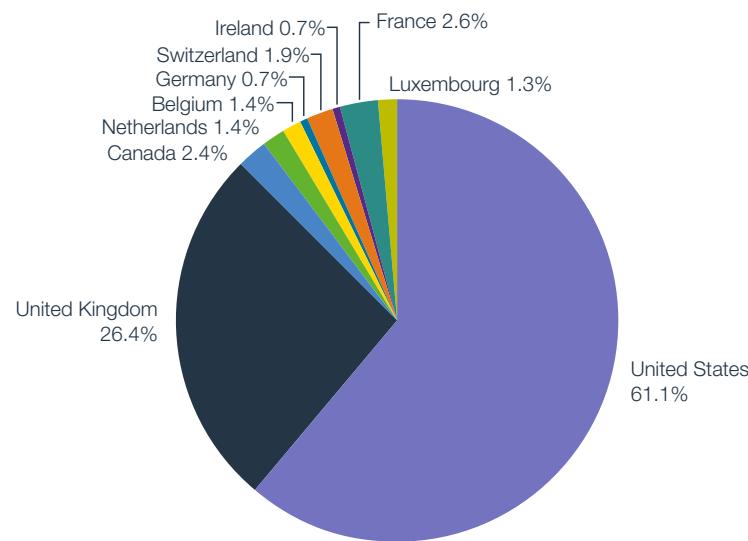
Secured Loans¹

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
McAfee	Euro/\$	US	Technology	4,020	2.14
Refinitiv	Euro/\$	US	Consumer non-cyclical	1,558	0.83
Hensoldt	Euro	Germany	Industrials	1,246	0.66
Froneri	Euro/\$	UK	Consumer non-cyclical	973	0.52
LGC	Euro/\$	UK	Consumer non-cyclical	928	0.50
Stars	\$	US	Consumer cyclical	828	0.44
Total Secured Loans				9,553	5.09
Total Investments				187,645	100.00

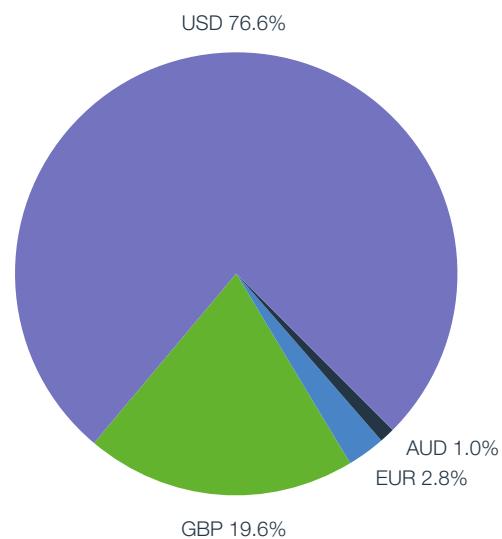
1 Please refer to the Glossary on pages 76 to 77

Portfolio Composition

Country of risk breakdown



Pre-hedging currency breakdown²



Source: Janus Henderson Investors, as at 30 April 2020

2 The portfolio is typically fully hedged back to sterling. Post-hedging portfolio is 99.5% hedged back to sterling. Cash & derivatives excluded from above breakdowns

Strategic Report: Investment Portfolio as at 30 April 2020

(continued)

Credit Default Swaps¹

Investments by value	Currency	Market value £'000
CDX REC 20/06/2025 CG CAIX – 5.0000% EUR ITRAXX-XOVER	Euro	6,102
CDX REC 20/06/2025 CG CAIY – 5.0000% EUR ITRAXX-XOVER	Euro	3,356
CDX REC 20/06/2025 CG CAIU – 5.0000% EUR ITRAXX-XOVER	Euro	2,745
CDX REC 20/06/2025 CG CATH – 5.0000% EUR ITRAXX-XOVER	Euro	2,614
CDX REC 20/06/2025 CG CAKI – 5.0000% EUR ITRAXX-XOVER	Euro	1,308
CDX REC 20/06/2025 CG CAM7 – 5.0000% EUR ITRAXX-XOVER	Euro	1,308
CDX REC 20/06/2025 CG CAQY – 5.0000% EUR ITRAXX-XOVER	Euro	1,308
CDX REC 20/06/2025 CG CAS2 – 5.0000% EUR ITRAXX-XOVER	Euro	1,308
CDX REC 20/06/2025 CG CAUS – 5.0000% EUR ITRAXX-XOVER	Euro	1,308
CDX REC 20/06/2025 CG CAJT – 5.0000% EUR ITRAXX-XOVER	Euro	654
CDX REC 20/06/2025 CG CAJW – 5.0000% EUR ITRAXX-XOVER	Euro	654
CDX REC 20/06/2025 CG CAK0 – 5.0000% EUR ITRAXX-XOVER	Euro	654
CDX REC 20/06/2025 CG CAK3 – 5.0000% EUR ITRAXX-XOVER	Euro	654
CDX PAY 20/06/2025 CG CAIX – ITRAXX-XOVER EUR SELL PROT	Euro	(6,078)
CDX PAY 20/06/2025 CG CAIY – ITRAXX-XOVER EUR SELL PROT	Euro	(3,343)
CDX PAY 20/06/2025 CG CAIU – ITRAXX-XOVER EUR SELL PROT	Euro	(2,735)
CDX PAY 20/06/2025 CG CATH – ITRAXX-XOVER EUR SELL PROT	Euro	(2,605)
CDX PAY 20/06/2025 CG CAKI – ITRAXX-XOVER EUR SELL PROT	Euro	(1,303)
CDX PAY 20/06/2025 CG CAM7 – ITRAXX-XOVER EUR SELL PROT	Euro	(1,303)
CDX PAY 20/06/2025 CG CAQY – ITRAXX-XOVER EUR SELL PROT	Euro	(1,303)
CDX PAY 20/06/2025 CG CAS2 – ITRAXX-XOVER EUR SELL PROT	Euro	(1,303)
CDX PAY 20/06/2025 CG CAUS – ITRAXX-XOVER EUR SELL PROT	Euro	(1,303)
CDX PAY 20/06/2025 CG CAJT – ITRAXX-XOVER EUR SELL PROT	Euro	(651)
CDX PAY 20/06/2025 CG CAJW – ITRAXX-XOVER EUR SELL PROT	Euro	(651)
CDX PAY 20/06/2025 CG CAK0 – ITRAXX-XOVER EUR SELL PROT	Euro	(651)
CDX PAY 20/06/2025 CG CAK3 – ITRAXX-XOVER EUR SELL PROT	Euro	(651)
Total Credit Default Swaps		93

¹ Please refer to the Glossary on pages 76 to 77

Strategic Report: Portfolio Information

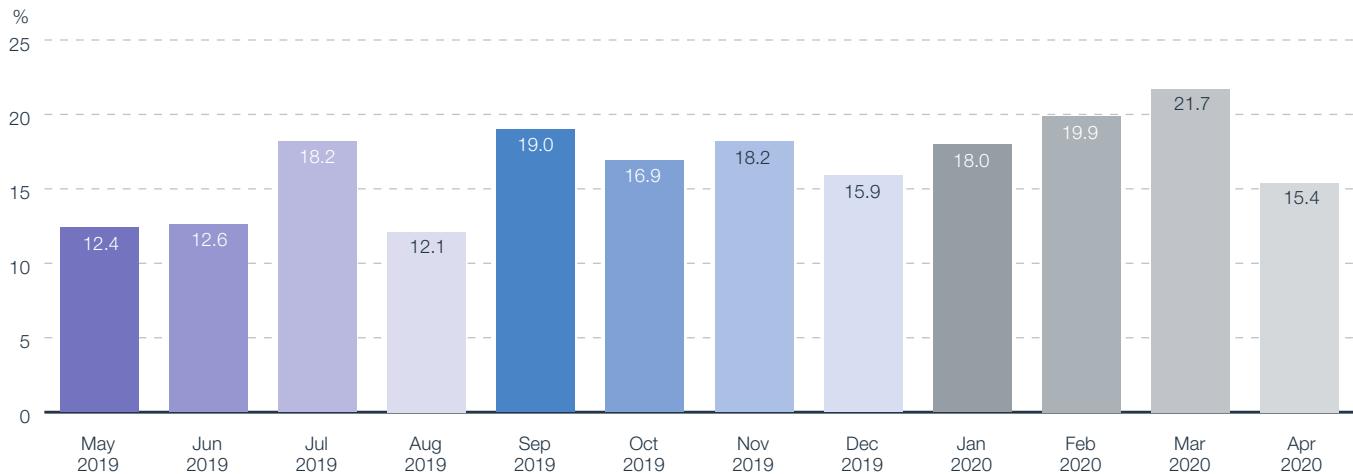
Ten Largest Investments at 30 April 2020

Ranking 2020 (2019)	Investment	Country	Industry	Market value £'000	% of portfolio
1 (25)	American Tower	US	Financials	5,192	2.77
2 (2)	Tesco ¹	UK	Consumer non-cyclical	4,731	2.52
3 (11)	Elanco	US	Consumer non-cyclical	4,708	2.51
4 (3)	Service Corp	US	Consumer non-cyclical	4,703	2.51
5 (21)	Verizon Communications	US	Communications	4,668	2.49
6 (10)	Crown Castle	US	Industrials	4,577	2.44
7 (4)	Sirius	US	Communications	4,335	2.31
8 (8)	IMS	US	Technology	4,328	2.31
9 (1)	Aramark	US	Consumer cyclical	4,108	2.19
10 (35)	McAfee	US	Technology	4,020	2.14

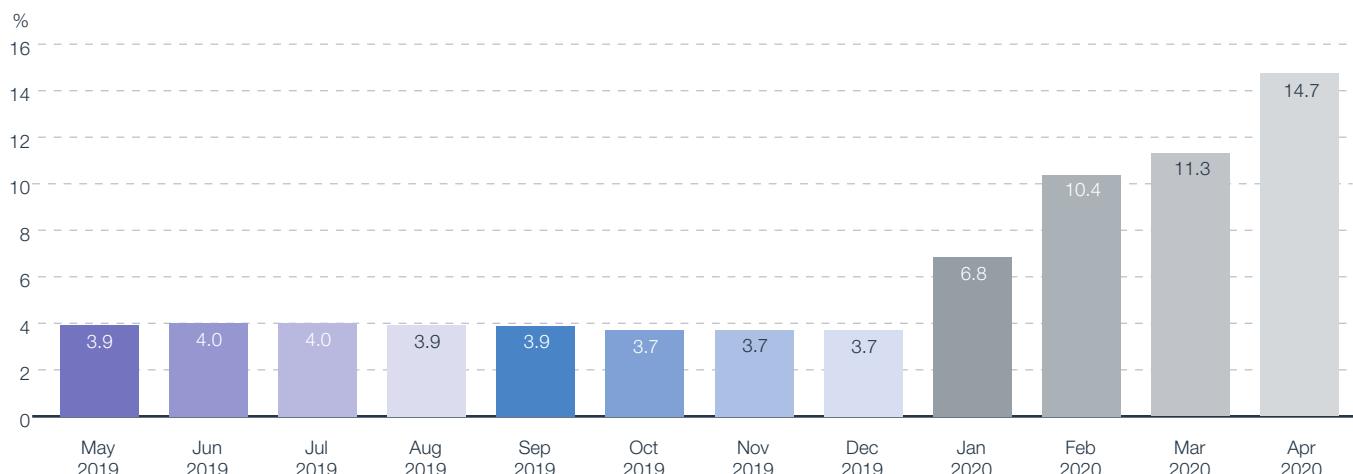
¹ Total holding disclosed (investment grade bond and asset backed security).

Please refer to the Investment Portfolio on pages 11 to 14 for details

Financial Gearing Levels to 30 April 2020



Synthetic Gearing Levels to 30 April 2020



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.

The directors believe that it is important to report the long-term historic performance of the predecessor company alongside the Company's performance. 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 data reported below for periods prior to 27 April 2017 is in respect of the predecessor company.

Total Return Performance

	1 year %	3 years %	5 years %
NAV	+2.9	+9.5	+22.5
Share price	-3.4	+5.0	+15.6
Benchmark ¹	+2.8	+8.2	+13.7

Source: Morningstar for the AIC

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

Financial Information²

Date	Net assets £'000	NAV p	Share price p	Premium/(discount) %
30 April 2016	146,367	87.9	89.0	1.2
30 April 2017	162,768	89.3	91.3	2.2
30 April 2018	165,799	87.4	91.8	5.0
30 April 2019	164,618	86.8	90.8	4.6
30 April 2020	162,624	85.0	83.0	(2.4)

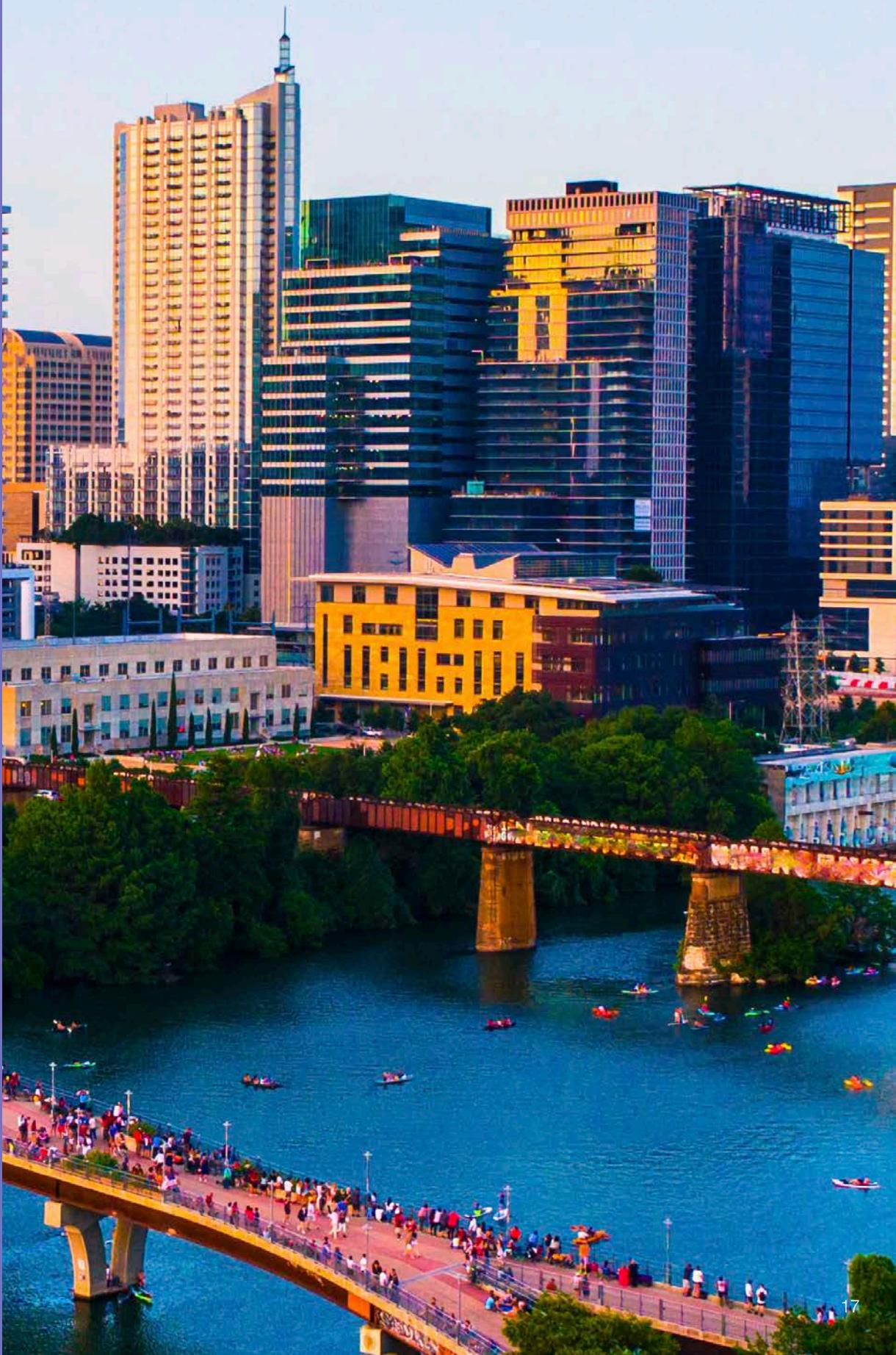
2 Financial information for all previous periods is sourced from the half year updates of the predecessor company, with the exception of 30 April 2017 which is sourced from the Association of Investment Companies

Dividend History

Date	Pence per share
Year ended 31 October 2015	5.10
Year ended 31 October 2016	5.10
Period 1 November 2016 to 30 April 2018 ³	7.05
Year ended 30 April 2019	4.40
Year ended 30 April 2020	4.40

3 During 2017/2018, the Company changed its year end to 30 April (from 31 October) following the redomicile to the United Kingdom. Six dividends were paid in the 18 month period from 1 November 2016 to 30 April 2018, comprising two dividends totalling 2.50p from Henderson Diversified Income Limited and four interest distributions from Henderson Diversified Income Trust plc totalling 4.55p

Business Model



Strategic Report: Business Model

Corporate Strategy

The Company's purpose is to deliver consistently to shareholders a high level of income on a regular basis while seeking capital growth over the longer term. To do so, the Company operates as an investment company with a Board of Directors (Board) who delegate investment and operational matters to specialist third-party service providers. Their performance is monitored and challenged by the Board who retain oversight of the Company's operations.

The framework of delegation provides a cost-effective mechanism for achieving the Company's objectives under section 1158/9 of the Corporation Tax Act 2010 (s.1158/9). The closed-ended nature of the Company enables the Fund Managers to take a longer term view on investments. It also supports a fully invested portfolio as the Company does not have to maintain or create sufficient cash balances to satisfy investor redemptions. Investment trusts have two other significant advantages over other investment fund structures: firstly, the ability to borrow to increase potential returns for shareholders and secondly, the ability to pay dividends out of revenue reserves to support the provision of income, as necessary, to shareholders.

The Board is comprised entirely of non-executive directors accountable to shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company.

Status

The Company is an investment company as defined in section 833 of the Companies Act 2006 (Act) and operates as an investment trust in accordance with s.1158/9. The directors are of the opinion that the Company has conducted its affairs in compliance with s.1158/9 since approval was granted and intends to continue to do so.

The Company is listed on the Main Market of the London Stock Exchange and is subject to the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority (FCA). The Company is a member of the Association of Investment Companies (AIC). The Company is governed by its Articles of Association, amendments to which must be approved by shareholders by way of a special resolution.

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 + 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 corporate 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.

Strategic Report: Business Model (continued)

Liquidity and Discount Management

The Board considers the issuance and buy-back of the Company's shares where prudent, subject always to the overall impact on the portfolio, the pricing of other comparable investment companies and overall market conditions. The Board believes that flexibility is important and that it is not in shareholders' interests to set specific levels of premium and discount for its share issuance or buy-back policies.

Promoting the Company's Success

The Company's purpose is to meet its investment objective and policy.

The directors use their skills, experience and knowledge to select and engage reputable organisations to carry out operations on behalf of the Company. The Board is responsible for effectively monitoring the services provided by the Company's third-party suppliers on an ongoing basis. The principal outsourced arrangement is the investment management service which is provided by Janus Henderson (Manager).

The directors act with integrity and openness, and in doing so promote and encourage a culture of transparency and honesty between the Board and the Manager. The Manager is considered by the Board to be the Company's most significant third-party service provider therefore the relationship with key individuals, in particular the Fund Managers, the Company Secretary, the Director and Head of Investment Trusts and the Financial Reporting Manager for Investment Trusts, are paramount to the success of the Company. There is continuous engagement and dialogue between Board Meetings with these individuals (in particular with the Chairman and Chairman of the Audit Committee). Communication channels are open and information, ideas and advice flows between the Board and the Manager with the aim of delivering better results for shareholders and other stakeholders and ultimately driving the Company's long-term sustainable success. The need to foster, maintain and continually evolve corporate culture is taken into account when decision-making and is therefore integral to the Company's policies and practices.

As the Manager holds the overall day-to-day relationship with the Company's other third-party suppliers the Board places reliance on the Manager in this regard. The Board is confident that Janus Henderson has developed and maintains good

working relationships with all of the Company's third-party suppliers. The Board receives appropriate information from the Manager in order to assess the third-party suppliers' performance, value for service, approach to ESG issues and their internal controls and risk management frameworks, including information security and business continuity. The Board also meets with representatives of the Depositary and Custodian and meets with other service providers as and when it is deemed necessary.

The directors carry out their duties under section 172 of the Act to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decisions in the long-term, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment and the desirability of the Company maintaining a reputation for high standards of business conduct.

The Board is also responsible for setting the dividend policy which is to pay four quarterly interim dividends per year as the directors recognise the importance of regular income to its shareholders. This dividend policy is put to shareholders for approval at each AGM.

The directors are responsive to the views of shareholders and the Company's wider stakeholders. Shareholders may contact the Board via the Company Secretary (please refer to page 82 for contact details). Please also refer to Engagement with Key Stakeholders on pages 20 to 22 for further details on how the Board has interacted with its key stakeholders in the year under review.

For more information about how the Board monitors and manages risk please refer to Managing Risks on pages 22 to 25 and Note 14 on pages 66 to 72.

Please refer to the Corporate Governance Report (pages 31 to 36), the Report of the Audit Committee (pages 37 to 40), the Directors' Remuneration Report (pages 41 to 43) and the Report of the Directors (page 44) in addition to the Strategic Report to understand more fully the spectrum of responsibilities with which the Board and its Committees are charged. The Schedule of Matters Reserved for the Board as well as the Terms of Reference for each of the Committees of the Board can be found on the Company's website www.hendersondiversifiedincome.com.

Strategic Report: Business Model (continued)

Engagement with Key Stakeholders

The Company's key stakeholders are listed below with examples of the way the Board and the Company has interacted with them in the year under review.

Stakeholders	Engagement	Outcome and how this was achieved
Shareholders	<p>The Board communicates with shareholders through the annual and half year reports, fact sheets and the website. The Board meets with shareholders at the AGM and shareholders are invited to attend online if they cannot attend in person. There is also a presentation from the Fund Managers and Q&A session before the formal business of the AGM begins.</p> <p>Given the current ongoing restrictions and social distancing measures imposed by the UK government as a result of the COVID-19 pandemic, the Board advises shareholders that this year's AGM will take place at 11.30am on Tuesday 15 September 2020 as a "closed meeting", with only the Board and Registrar present to meet the quorum requirements as set out in the Company's Articles. Other shareholders, corporate representatives and proxies will not be able to attend the AGM.</p>	<p>In the absence of a physical AGM this year, the Board would like to encourage shareholders to submit any questions they may have in relation to the Annual Report for the year ended 30 April 2020 or the resolutions being proposed at the AGM, in advance, by contacting the Company Secretary at itsecretariat@janushenderson.com or calling 020 7818 2345. Questions received will be forwarded to the Board and/or the Fund Managers and individual responses will be provided.</p> <p>This year's voting on the resolutions will be conducted on a poll rather than a show of hands. The Board strongly encourages all shareholders to submit their proxy forms to ensure their vote counts at the AGM. The results of the AGM will be released to the market after the meeting at 11.30am on Tuesday 15 September 2020 and the proxy results for each resolution will be included therein and will also be made available on the Company's website.</p> <p>The Board are pleased to invite shareholders to attend a virtual Fund Managers presentation for the year ended 30 April 2020 which will be held at 12 noon on Tuesday 15 September 2020. You can access the presentation using this link: https://jhi.zoom.us/j/94133800579</p> <p>Shareholder correspondence is received at the registered office each year. This is shared with the Chairman and responses are provided. All shareholder correspondence is circulated to the Board at the next meeting.</p> <p>The Company's website provides regular content and information to enable shareholders and potential investors to keep up to date with performance. It also offers videos recorded of the Fund Managers to enhance shareholders' understanding of the Company and the portfolio. Shareholders can therefore make well informed decisions about their investments.</p> <p>The Board is of the view that in the long-term increasing the size of the Company is for the benefit of shareholders, since it should increase liquidity of the shares and spread costs across a wider base. In the year under review the Board authorised the issue of 1.7 million ordinary shares at a sufficient premium to NAV to cover the costs of issuance. The Board sought assurances from the Fund Managers that the capital raised could be invested at the same yield as the existing portfolio beforehand.</p>

Strategic Report: Business Model (continued)

Stakeholders	Engagement	Outcome and how this was achieved
Manager	<p>In addition to receiving reports at each meeting the Board has the opportunity to meet key representatives of the Manager throughout the year to help develop strategy e.g. from the Manager's Risk, Compliance, Internal Audit, Business Continuity and Information Security Teams.</p> <p>The Board receives timely and accurate information from the Manager at meetings and engages with representatives of the Manager regularly between meetings.</p>	<p>The regular and ongoing communication with the Manager, both at meetings and between them harnesses a trusting and open relationship.</p> <p>The Company is well managed and the Board places great value on the expertise and experience of the Fund Managers (please refer to Managing Risks on pages 22 to 25) to execute the investment objective and policy and deliver returns for shareholders.</p> <p>Throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager receiving updates from the Fund Managers through conference calls, on areas such as portfolio activity (to manage the volatility in the market and to take advantage of opportunities), gearing, covenant levels and the ability to meet the ongoing income requirements of shareholders.</p>
Service Providers	<p>As an investment company all services are outsourced to third-party service providers.</p> <p>The Board rely on the Manager to provide feedback about the day-to-day service provided by each of the third-party suppliers. The Company Secretary and Financial Reporting Manager for Investment Trusts, in particular, engage with the key suppliers on a regular and continuous basis e.g. Computershare (Registrar), Ernst & Young (Auditor) and BNP Paribas Securities Services (BNPPSS) Depositary and Fiduciary Services (Depositary and Custodian).</p> <p>The Board meet with representatives from JPMorgan Cazenove (Broker) at each meeting and receive a bespoke report from them each quarter.</p> <p>The above, as well as the Company's other third-party service suppliers' performance is assessed in detail at least annually by the Management Engagement Committee (please refer to Management Engagement Committee on page 32).</p> <p>The Audit Committee is responsible for reviewing the internal controls and risk management systems in place at the Company's key third-party suppliers (BNPPSS, Computershare, Janus Henderson) predominantly through the assessment of each supplier's internal controls and assurance report.</p>	<p>The Board considered the Management Engagement Committee's assessment of each of the Company's third-party suppliers in the year under review. In addition the Board met with representatives of Marten & Co (Marketing and Research Provider) and BNPPSS Depositary and Fiduciary Services (Depositary and Custodian).</p> <p>The Company Secretary contacted all of the Company's key third-party suppliers in the wake of the COVID-19 pandemic to seek clarification that the Company would continue to receive a "business as usual" service, and to proactively ask whether there may be any service disruption in order for the Company to work collaboratively with them to find solutions to any problems.</p> <p>The directors report that, despite the COVID-19 pandemic, there has been no change to the level of service provided by the Manager or the Company's other third-party suppliers. The pandemic has served to highlight the resilience and performance of the services provided.</p>
Lenders	<p>The Company employs gearing to enhance returns to shareholders.</p> <p>The Company confirms compliance to the Lender with the loan covenants of its gearing facility on a monthly basis.</p>	<p>The Board can take advantage of the Managers strong relationship with Lenders in the global marketplace to obtain the most competitive terms and rates for the Company when borrowing money to help achieve its investment objective and policy.</p> <p>The Board are currently in the process of negotiating a new short-term loan facility with BNP Paribas Securities Services. The Company's existing loan facility with Scotiabank expires on 14 August 2020.</p>

Strategic Report: Business Model (continued)

Stakeholders	Engagement	Outcome and how this was achieved
Auditors	<p>The Auditor attends at least two Audit Committee meetings each year.</p> <p>The Board considers a letter of engagement each year for the Auditor and asks shareholders at each AGM to appoint/re-appoint the Auditor depending on where it is in the audit tender cycle.</p> <p>In the year under review an audit tender process was undertaken. The audit tender was prompted by a substantial increase in audit fees, many times the rate of inflation and the Board wanted to ensure that shareholders were receiving the best service and value for money.</p> <p>Please refer to the Report of the Audit Committee on pages 37 to 40 for further details.</p>	<p>The current Auditor, Ernst & Young LLP (EY) was appointed for the period-ended 30 April 2018, this being the first period end after the redomicile. This is the third year EY has been appointed and the relationship with EY's Audit Team has developed over that time. The Chairman of the Audit Committee remains in contact with the Audit Partner throughout the financial year and seeks feedback from the Auditor and those responsible for the preparation of the financial statements from the Manager at the annual and half year stage.</p> <p>The Chairman of the Audit Committee, the Company Secretary and the Financial Reporting Manager for Investment Trusts at Janus Henderson have been in regular contact with the Auditor whilst preparing this Annual Report.</p>
The Association of Investment Companies (AIC)	<p>The Company is a member of the AIC which is an organisation that looks after the interests of investment trusts.</p>	<p>The Board chooses to report under the AIC Code of Corporate Governance as this better reflects the unique aspects of an investment trust in the context of good corporate governance.</p> <p>Please refer to Applicable Corporate Governance Codes on page 31.</p> <p>The AIC supports its members by issuing publications and guidance on issues such as tax, accounting, company law and regulation. The AIC provides its members with email updates on key industry issues and AIC work programmes, as well as information about AIC events, including conferences, dinners and director roundtables.</p> <p>This information supports the Board in its discussions and decision making.</p>

Managing Risks

The Board, with the assistance of the Manager, has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Board has considered the impact of COVID-19 on the Company and concluded that the current portfolio is in a strong position to weather the market with the Fund Managers' long standing philosophy of thematic investing, long-term duration management and "sensible income" credit investing. The Board will continue to monitor this position.

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 BNPPSS. However, certain risks and functions cannot be delegated and are retained by the Board.

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. This reflects the Company's risk map.

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 (set out on the next page) faced by the Company and its shareholders arise from interest rate, credit and currency risks.

Strategic Report: Business Model (continued)

Market risk	Mitigation
Interest rate risk The Company takes on interest rate risk so as to deliver portfolio returns. Reductions in market interest rates will reduce gross and net revenue income and this effect may be amplified by the use of leverage. Such falls may be mitigated for a period if the Company has invested in longer term fixed rate assets prior to such market movements. 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. Increases in market interest rates can reduce net asset value if interest rates rise whilst holding fixed rate assets of longer duration. Interest rate risk also arises from an investment in credit derivatives and the use of rolling forward foreign exchange contracts.	The Board has not set any limits on the amount of interest rate risk that may be taken by the Manager other than to limit the gross on balance sheet and synthetic leverage to 40% of net assets. 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. 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. 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. The Board supports the use of interest rate derivatives to increase, as well as manage and mitigate interest rate risk. The interest rate risk profile of the portfolio as at the year end is set out in Note 14 to the financial statements on pages 67 to 68.
Credit risk The Company takes on credit risk so as to deliver portfolio returns. Investing in debt securities and secured loans exposes the Company to credit risk from company defaults and restructurings. Whilst it may be possible to hold a debt instrument to maturity, and be paid out in full, the Fund Managers have discretion to sell a distressed asset which would give rise to realised losses without a default having occurred. Reductions in credit spreads will reduce gross and net income and this effect may be amplified by leverage. 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. The Company is also exposed to counterparty credit risk through the use of derivatives.	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 corporate issue or issuer. 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. The credit rating table for the portfolio at the year end is disclosed in Note 14.3 to the financial statements on page 71.
Currency risk The Company invests in assets of fixed amounts denominated in currencies other than sterling which give rise to currency risk. 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. 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.	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. 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. Gross and net hedging currency exposures are set out in Note 14.1.2 to the financial statements on 66 to 67.

Strategic Report: Business Model (continued)

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. 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>
<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 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>The Board also receives an annual report on internal controls from BNPPSS Collateralized Loan Obligations 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 BNPPSS as the appointed Depositary and Custodian of assets and their execution and settlement of transactions (other than secured loans)</p> <p>The Board has appointed BNPPSS as its Depositary. As Depositary BNPPSS acts as the Company's investment custodian, with responsibility for transaction execution and settlement.</p> <p>The Company is reliant on BNPPSS 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 BNPPSS'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 BNPPSS 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 BNPPSS (Fund Administration, Global and Local Custody, Middle Office Functions and Collateralized Loan Obligations) and would be made aware promptly of any compliance failings and how they are remediated.</p> <p>On an annual basis the Board reviews the quality of the service received by BNPPSS Depositary and Custodian and discusses any issues in person with BNPPSS representatives.</p>

Strategic Report: Business Model (continued)

Operational risk

Reliance on service providers to manage and control certain features of the portfolio

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:

The Company invests in secured loans which are individually documented and require additional systems and controls to manage.

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.

The Company has borrowed funds and given covenants to the lender regarding certain ratios which require monitoring to ensure they are met.

Mitigation

The Board 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 loan covenants, asset allocation limits and currency hedging exposure.

On a quarterly basis the Board receives and reviews detailed reports with Janus Henderson including:

- balance sheet
- income statement
- asset listing including purchases and sales
- revenue forecast
- gross and net currency positions

Viability Statement

The Company seeks to provide shareholders with 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 + 2%. The Board aims to achieve this by pursuing the Company's business model and strategy through the investment objective and policy (please refer to page 18). The Board will continue to consider and assess how it can adapt the business model and strategy of the Company to ensure its long-term viability in relation to its principal risks as detailed above.

In assessing the viability of the Company, the Board also considers the prospects of the Company including the liquidity of the portfolio (which is mainly invested in readily realisable listed securities), the level of borrowings (which are restricted), the closed-ended nature as an investment company (therefore there are limited liquidity issues arising from unexpected redemptions) and a low ongoing charge (0.89% for the year ended 30 April 2020 (2019: same)). The Company retains title to all assets held by the Custodian under the terms of the formal agreement with the Depositary, cash is held with approved banks and revenue and expenditure forecasts are reviewed monthly by the Board.

The Board therefore believes it is appropriate to assess the Company's viability over a three-year period, taking account of the Company's current position and the assessment factors detailed above.

When assessing the viability of the Company over the next three years the directors considered its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's borrowing facilities and how a breach of the loan covenants could impact on the Company's NAV and share price. In March 2020, the dramatic falls in credit markets, fuelled by liquidity concerns as a result of the COVID-19 pandemic, were the largest falls seen by the Fund Managers, surpassing even those of the financial crisis in 2008/09. The Company's NAV fell significantly at this time as a result of the

pandemic (in line with the rest of the market). The Fund Managers continued to seek investment opportunities, for example buying into the secondary market and rotating out of higher quality grade bonds. One advantage to the crisis has been that the Fund Managers have been able to obtain attractive yield levels on credit investments, better than those seen for a number of years. The directors continue to support the Fund Managers investment strategy and hold the view that the Company should come out of this crisis relatively well, and in a better position to meet the ongoing income requirements for shareholders, having taken advantage of falls in the bond market and investing in opportunities where good value for money has been identified. The Company's NAV has subsequently rebounded. The directors consider the pandemic to highlight the advantages of holding an investment trust.

The directors do not envisage any change in strategy or investment objective, or any events that would prevent the Company from continuing to operate over the next three years as the Company's assets are liquid, its commitments are limited, and the Company intends to continue to operate as an investment trust. The Board takes comfort in the robustness of the Company's position, performance, liquidity and the well-diversified portfolio designed by the Fund Managers. The Board is confident that the Company is well equipped to navigate a substantial global financial crisis and therefore has a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due over the next three-year period.

Fee Arrangements with the Manager

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive. The Company has appointed Henderson Investment Funds Limited (HIFL) to act as its Alternative Investment Fund Manager (AIFM) in accordance with an agreement which has been effective from March 2017 and is terminable on six

Strategic Report: Business Model (continued)

months' notice. HIFL delegates investment management services to Henderson Global Investors Limited, which acts as Manager. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson. Both entities are authorised and regulated by the FCA. References to Janus Henderson and the Manager within this report refer to the services provided by both entities. The Fund Management Team is led by John Pattullo and Jenna Barnard.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of the Manager, by BNPPSS. Henderson Secretarial Services Limited acts as the Corporate Secretary.

The investment management agreement with Janus Henderson to provide the services referred to above is reviewed annually by the Management Engagement Committee.

Management Fee

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.

Borrowings

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). At 30 April 2020 the Company had drawn down £32.6 million (2019: £18.5 million). The maximum amount drawn down in the year was £34.7 million (2019: £34.8 million), with borrowing costs including interest for the year totalling £465,000 (2019: £369,000). Under the facility at 30 April 2020 the ratio of borrowings to net assets was 20.1% (2019: 11.3%). The Board are currently in the process of negotiating a new short-term loan facility with BNP Paribas Securities Services. The Company's existing loan facility with Scotiabank expires on 14 August 2020.

Measuring Performance

In order to measure the success of the Company in meeting its objective and to evaluate the performance of the Manager, the Board takes 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 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. The Board receives the revenue forecast on a monthly basis and therefore has regular oversight of the amount available for distribution. A Committee of the Board meets to consider the Company's interim dividend each quarter.
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 buybacks 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.
Ongoing charge	The Board regularly reviews the ongoing charge and monitors costs that impact the Company's distributable revenue.

The charts and data in Performance Highlights (pages 2 to 3) and Historical Performance and Financial Information (page 16) show how the Company has performed against these KPIs.

Environmental, Social and Governance (ESG) Matters

Climate Change, Responsible Ownership and the Stewardship Code

As an investment company that outsources all services to third-party suppliers the Board makes every effort to

understand its key third-party service providers' ESG policies (including climate change) in particular those of the Manager. Janus Henderson are a signatory to the UN Principles of Responsible Investment and the UK Stewardship Code published in 2020 and seek to protect and enhance value for shareholders through active management, integration of ESG factors into decision making, voting and company engagement.

Strategic Report: Business Model (continued)

Voting

In the period under review the Company did not hold the right to vote at any of the investee companies General Meetings due to the nature of the holdings.

The Board believes that voting at general meetings is an integral aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. The Board has chosen to delegate responsibility to the Manager for voting the rights attached to the shares held in the Company's equity portfolio (when applicable) as the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Managers, who have an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Corporate Statement, ESG Investment Principles and Responsible Investment Policy (ESG Policies), so investee companies are made aware of the Manager's expectations in this respect.

However, the Board reviews the Manager's ESG Policies each year. These are available to view at www.janushenderson.com. The Board remains satisfied that the Manager understands the risks of climate change to its business, strategy and product mix and where relevant it is adapting to ensure long-term viability. The Board will monitor and review the ESG Policies of the Manager and its key third-party service providers in the year ending 30 April 2021 as it expects all companies to evolve their policies as ESG reporting develops.

The Environment

As an investment company, 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 indirect impact occurs through the portfolio holdings it invests in.

Business Ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Communicating with Shareholders

The Board is committed to maintaining open channels of communication with shareholders in a manner which they find most meaningful. The Manager provides information on the Company and videos featuring the Fund Managers on the Company's website, via various social media channels and

through its HG1 platform (please refer to Corporate Information on page 82). The Chairman, and other members of the Board are available to meet with shareholders where they wish to do so.

The annual and half-year results are circulated to shareholders wishing to receive them and made available on the Company's website. These provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet which is available on the website. The Fund Managers provide presentations to shareholders and analysts following the publication of the annual results.

Please refer to the Chairman' Statement on page 5 for further details about this year's AGM.

The Chairman and the rest of the Board encourage shareholders to engage with them. Anyone wishing to get in touch should address correspondence to the registered office, 201 Bishopsgate, London EC2M 3AE c/o the Company Secretary. The Senior Independent Director (please refer to the Board of Directors on pages 29 to 30) is also available to shareholders if they have concerns that have not been addressed through the normal channels.

Board Diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Nominations Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The prime responsibility, however, is the strength of the Board and the overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit. Currently the Board comprises five directors, three males and two females. This meets the requirement of the Hampton-Alexander Review (minimum 33% female representation).

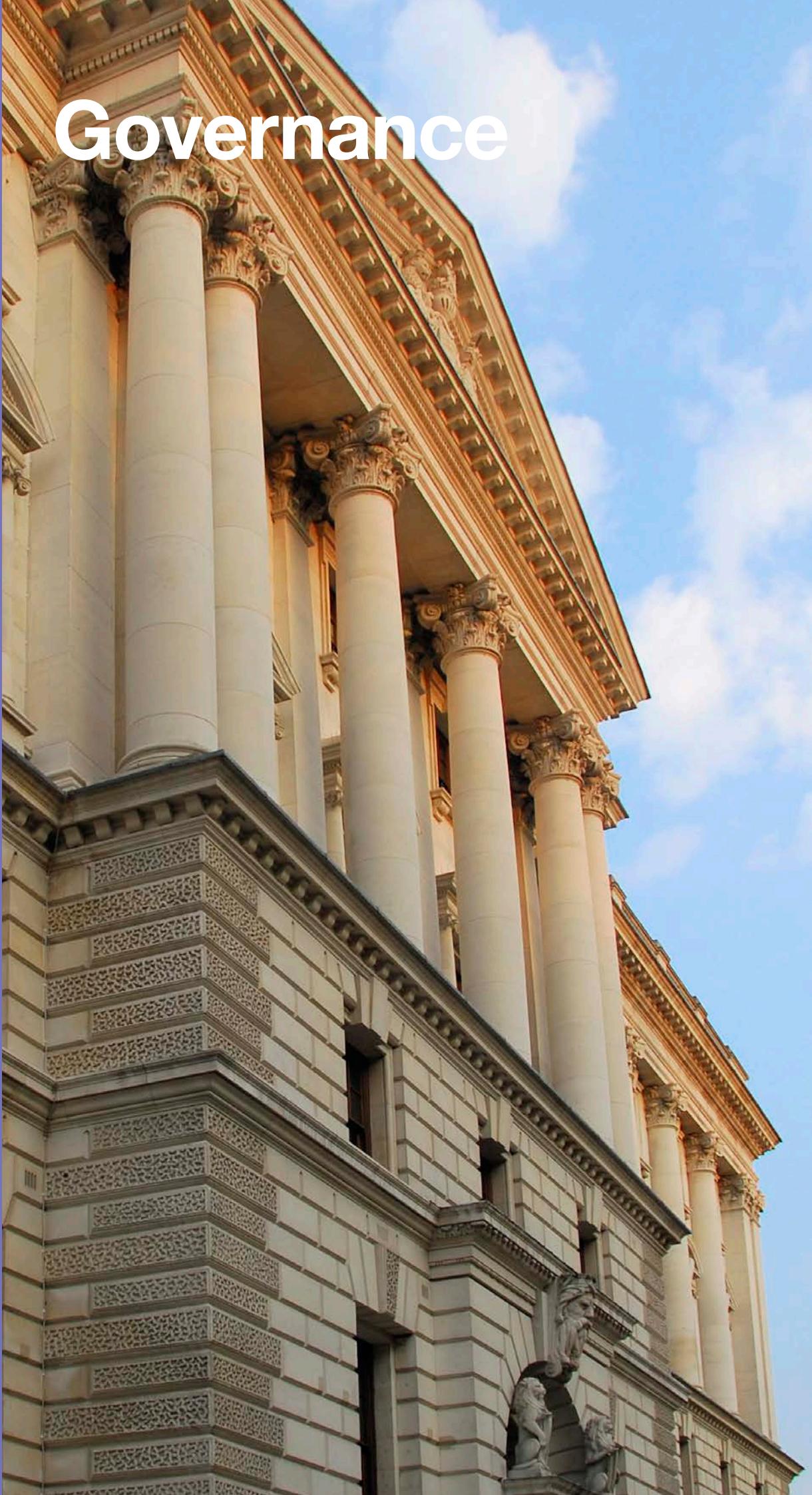
The Board recognises the benefits of diversity and therefore takes an interest in the diversity initiatives in place at its other service providers and in particular, the Manager.

Janus Henderson fosters and maintains an environment that values the unique talents and contributions of every individual. The Manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients, investors and shareholders.

For and on behalf of the Board

Angus Macpherson
Chairman
22 July 2020

Governance



Board of Directors

Directors

The directors appointed to the Board at the date of this report are set out below. The Notice of Meeting that has been sent to shareholders with this report, sets out the specific reasons why each director's contribution is, and continues to be, important to the Company's long-term sustainable success. The Notice of Meeting is also available from the 'Documents' section on the Company's website www.hendersondiversifiedincome.com.

The Nominations Committee is responsible for ensuring that on appointment each director receives a letter of appointment that sets out, amongst other matters, what is expected of them in terms of time commitment. The annual board evaluation also considers the time commitment of the directors. The Board considers that each director appointed as at the date of this report allocates sufficient time to the Company to perform his/her responsibilities effectively and no director is considered to be "overboarded".

Angus Macpherson

(Chairman)

Date of appointment: 23 February 2017

Committees: Angus is Chairman of the Board, Management Engagement Committee and Nominations Committee. He is also a Member of the Audit Committee.

Skills and Experience: Angus previously 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, Chairman of the Belhaven Hill School Trust Ltd and a Member of the Scottish Government's Financial Services Advisory Board.

Current External Appointments:

Angus is Chief Executive of Noble & Company (UK) Limited. He is also a Chairman of Pacific Horizon Investment Trust plc, a Director of Schroders Japan Growth Fund plc and Trustee of The Scottish Policy Foundation.

Denise Hadgill

Date of appointment: 23 February 2017

Committees: Denise is a Member of the Management Engagement Committee, Nominations Committee and Audit Committee.

Skills and Experience: Until 2015 Denise was Managing Director and 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.

Current External Appointments: None.

Win Robbins

(Senior Independent Director)

Date of appointment: 28 May 2019

Committees: Win is a Member of the Management Engagement Committee, Nominations Committee and Audit Committee.

Skills and Experience: Win has extensive investment management experience having held various senior positions including eight years as Managing Director of Credit Suisse Asset Management Limited from 1996 until 2004 and Managing Director and Head of Non-US Fixed Income at Citigroup Asset Management from 2004 to 2006.

Win holds the Diploma in Investment Management from the London Business School.

Win was a Non-Executive Director on the Board of City Merchants High Yield Trust Limited until she retired in March 2019, having held that position since 2009.

Current External Appointments: Win is a Non-Executive Director and Chairman of the Remuneration Committee at Polar Capital Holdings plc, a position she has held since 2017. She is also a Non-Executive Member of the Investment Committee of St. James Place Partnership plc and an Independent Trustee of the Institute of Cancer Research Pension Fund.

Board of Directors (continued)

Stewart Wood

Date of appointment: 23 February 2017

Committees: Stewart is a Member of the Management Engagement Committee, Nominations Committee and Audit Committee.

Skills and Experience: 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), appointed to the Board of the Marshall Scholarships Commission, and is a Director of the Good Law Project.

Current External Appointments: Stewart is a Member of the House of Lords' Select Committee on the European Union. Stewart has been a Fellow at Magdalen College, Oxford University since 1995, and is a Professor of Practice at the Blavatnik School of Government in Oxford University.

Ian Wright

(Chairman of the Audit Committee)

Date of appointment: 23 February 2017

Committees: Ian is Chairman of the Audit Committee. He is also a Member of the Management Engagement Committee and Nominations Committee.

Skills and Experience: Ian is a Chartered Accountant.

He was previously 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 was also a Panel Member of the Financial Reporting Review Panel which is part of the UK Financial Reporting Council. He is resident in Jersey having previously worked in the Channel Islands, London and Bahrain.

Current External Appointments: Ian is Deputy Chairman of the Jersey Financial Services Commission, a Director of the Jersey Heritable Property Company Limited and a Policeman in the Parish of St. Brelade.

All the directors are non-executive and independent of Janus Henderson.

All directors are members of the Insider Committee that meets when required in accordance with the Market Abuse Regulations.

Corporate Governance Report

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (UK Code) have been applied. The AIC Code of Corporate Governance (AIC Code) has been endorsed by the Financial Reporting Council (FRC). This enables boards to report against the AIC Code and still meet their obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The Board has chosen to report under the AIC Code because the day-to-day activities (such as portfolio management, administration, accounting and company secretarial) are outsourced to external service providers. The proper oversight of these relationships is crucial to achieving good corporate governance and therefore the Board considers the Manager to be the Company's most important stakeholder.

The Company has complied with the principles and provisions of the AIC Code in the year under review with the exception of establishing a separate Remuneration Committee. This is because the Company is governed entirely by a board of non-executive directors, therefore the Company has no complex executive director or senior management remuneration packages to consider.

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

The Board

Role of the Board

The Board is responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by its service providers within the established control framework.

The Board meets formally at least five times a year, with additional Board or Committee meetings arranged when required. The directors have regular contact with the Manager between formal meetings. The Board has a formal Schedule of Matters Reserved for its decisions (which is available at www.hendersondiversifiedincome.com) which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, contracts, communications, board membership and other appointments, delegation of authority, remuneration and other matters.

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 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 adopted a procedure for directors, in the furtherance of his/her duties, to take independent professional advice at the expense of the Company. In order to enable him/her to discharge his/her responsibilities, all directors have full and timely access to relevant information.

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a Depositary, who in turn appoints the Custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a Registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their control systems in relation to the affairs of the Company. The Board and its Committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives from the Depositary and Custodian to discuss amongst other matters performance, service levels, their value for money, and their approach to ESG matters, information security and business continuity plans.

In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which are then reported to the Board as necessary.

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 interest or concern.

The directors have access to the advice and services of the Company Secretary, who has been appointed by Henderson Secretarial Services Limited. The Company Secretary is responsible to the Board for ensuring compliance both with Board and Committee procedures and Terms of Reference and applicable rules and regulations. 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. The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson 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 Janus Henderson. Any correspondence from shareholders addressed to the

Corporate Governance Report (continued)

Chairman or the Company received at Janus Henderson's offices is forwarded to the Chairman of the Board in line with the audited procedures in place. Any correspondence is provided to the full Board at the next meeting. Any urgent or important correspondence would be circulated promptly at the request of the Chairman.

Janus Henderson has arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters. These arrangements are reviewed at least annually by the Audit Committee.

Audit Committee

Please refer to the Report of the Audit Committee on pages 37 to 40.

Management Engagement Committee

The Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company.

Membership

All directors are members of the Committee. The Chairman of the Board is the Chairman of the Committee.

Meetings

The Committee met once during the year. The Committee has not engaged any service providers to provide advice to the Company during the period.

Role and Responsibilities

In discharging its duties over the course of the period, the Committee considered:

- the investment performance of the Company, taking account of the benchmark and performance of competitors in the closed-ended sector, the share price, level of premium/discount and gearing;
- the management of the portfolio's risk profile and the use of gearing;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its closed-ended competitors and other similar sized investment companies;
- the key clauses of the investment management agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and

- the fees of the Company's other third-party service providers, including the Company's Broker (JPMorgan Cazenove), Depositary (BNPPSS Depositary and Fiduciary Services), Registrar (Computershare), Marketing and Research Provider (Marten & Co) and its indirect third-party service provider Accountants (BNPPSS Fund Administration) (engaged on behalf of the Manager to carry out the Company's accounting services).

Continued Appointment of the Manager

The Committee's evaluation of the Manager included consideration of the quality of the team involved in all aspects of servicing the Company, including company secretarial, administration, sales and marketing and included a review of the stability of the management group and its business priorities. Following completion of the review, the Committee recommended to the Board that the continued appointment of the Manager on the terms agreed is in the interests of the Company and its long-term sustainable success.

The Committee also:

- assesses the Company's third-party service providers in their role as stakeholders and whether there is an appropriate level of engagement with them;
- considers the appointment and remuneration of the Company's third-party service providers and alternative suppliers where necessary;
- considers any points of conflict which may arise between the providers of services to the Company; and
- considers the appointment and removal of the Company Secretary.

Nominations Committee

The Nominations Committee advises the Board on the composition of the Board and its Committees, on making appointments to the Board and ensuring suitable succession plans are in place for the directors and Fund Managers.

Membership

All directors are members of the Committee. The Chairman of the Board is the Chairman of the Committee but would not chair meetings when the Committee is dealing with the Chairman's succession.

Meetings

The Committee met twice during the year under review.

Corporate Governance Report (continued)

Role and Responsibilities

One of the principal roles of the Committee is to lead the process for appointments to the Board, evaluating the balance of skills, knowledge, experience and diversity on the Board, and, in light of this evaluation, prepare a job description of the role and capabilities when considering making an appointment. When identifying suitable candidates for appointment the Committee may use open advertising or the services of external advisers to facilitate the search.

The Committee is also responsible for determining and disclosing a Policy on Tenure (please refer to page 34).

The Committee also makes recommendations to the Board concerning:

- membership of the Audit Committee, and any other Board Committees as appropriate, in consultation with the Chairman of those Committees;
- the appointment of the Chairmen of the Board Committees and Chairman of the Board;
- the re-appointment of directors under the provisions of the AIC Code, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board (particularly in relation to directors being re-appointed for a term beyond six years); and
- any matters relating to the continuation in office of any director at any time.

Board Evaluation

In the year under review, Board Alpha Limited (Board Alpha), was appointed to carry out an independent, externally-facilitated evaluation on the effectiveness of the Board of your Company. Board Alpha did not provide any other services to the Company and is considered to be independent.

The external board evaluation process included:

- interviewing the directors, the Fund Managers and selected members of the Manager (the Company Secretary, Director & Head of Investment Trusts and Financial Reporting Manager) as well as representatives from the Company's Broker (JPMorgan Cazenove) and Marketing and Research Provider (Marten & Co);
- reviewing recent Board and Committee papers and other relevant documentation to inform Board Alpha about strategy, key risks and the nature and quality of the Board's work and relationship with the investment management team;

- an evaluator attended an Audit Committee meeting and a Board meeting in the year under review, as a silent observer to listen to discussions and observe the dynamics of the meeting;
- considering the Board's succession plans;
- issuing a final report with focused feedback on how the Board and Committees are functioning, and recommendations for the Board to consider and implement (where considered necessary); and
- issuing separate independent feedback on the Chairman of the Board which was sent to the Chairman of the Audit Committee to lead the evaluation of the Chairman (as there was no Senior Independent Director appointed at this time).

The Committee considered the Board Alpha findings and report that overall the feedback was largely positive. A small number of areas for improvement were identified and the Board has subsequently implemented changes to address these.

Following a detailed discussion by the Committee it concluded that each director made a valuable contribution to the Board and its discussions, and all directors remained independent in character and judgment. There was a good balance of skills and experience on the Board and the existing succession plan was sensible and appropriate to the needs of the Company, the shareholders and wider stakeholders.

The Chairman of the Audit Committee led the performance evaluation of the Chairman. The Committee concluded that the Chairman is well regarded by the directors, members of the investment management team and the Company's wider stakeholders. He has a great deal of experience in chairing and managing boards, his approach is open and collegiate, and he demonstrates great sensitivity in managing people. He is proactive and makes himself fully available to the Manager, to other directors and to shareholders. It was therefore agreed that the Chairman's performance continued to meet expectations and that his continued appointment was in the best interest of the Company and its long-term sustainable success.

Based on the feedback from Board Alpha and best practice corporate governance the Committee recommended that the Board appoint a Senior Independent Director. The Chairman subsequently held one-to-one discussions with the directors and Win Robbins was appointed to the position with effect from 22 July 2020.

Corporate Governance Report (continued)

Arrangements with Directors

Board Composition

The Articles of Association provide that the total number of directors shall not be less than two nor more than ten in number. The Board currently consists of five non-executive directors. All of them served throughout the year under review with the exception of Win Robbins who joined the Board part way through the year on 28 May 2019. The biographies of the directors holding office at the date of this report, which are set out on pages 29 to 30, demonstrate the breadth of experience relevant to his/her position as a director.

Directors' Appointment and Retirement

The Board may appoint directors to the Board and any director so appointed must stand for appointment by the shareholders at the first AGM following his/her appointment, in accordance with the Articles of Association.

In keeping with the provisions of the AIC Code, all directors will retire at the upcoming AGM and, being eligible, have all stated that they will offer themselves for re-appointment.

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 general meeting.

Policy on Tenure

Given the entirely non-executive nature of the Board and the fact that the Chairman may not be appointed as such at the time of his/her initial appointment as a director, the Chairman's tenure may be longer where this is considered by the Board to be in the best interests of the Company however it is not anticipated that any of the directors will serve in excess of nine years'. As with all directors, the continuing appointment of the Chairman is subject to satisfactory performance evaluation, annual re-appointment by shareholders and may be further subject to the particular circumstances of the Company at the time he intends to retire from the Board.

Directors' Independence

The independence of the directors is determined with reference to the AIC Code. The Committee considers the independence of each director at least annually by reviewing the directors' other appointments and commitments, as well as his/her tenure of service and any connection they may have with the Manager.

There were no contracts subsisting during or at the end of the year in which any director is or was materially interested and

which is or was significant in relation to the Company's business. No director has a contract of service with the Company and there are no agreements between the Company and its directors concerning compensation for loss of office.

Directors' Professional Development

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including directors' duties, compliance and risk management, accounting, sales and marketing, and other administrative services provided by the Manager.

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 systems it has in place for reporting and considering situational conflicts continue to operate effectively. Furthermore, no conflicts of interest have been identified that would allow third-parties to influence or compromise the individual director's independent judgment.

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 his/her position as a director, in which they are acquitted, or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

Corporate Governance Report

(continued)

Board Attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the 2019 AGM. The Insider Committee did not meet.

Number of Meetings	Board	AC	NC	MEC
5	2	2	1	
Angus Macpherson	5	2	2	1
Denise Hadgill	5	2	2	1
Win Robbins	5	2	2	1
Stewart Wood	5	2	2	1
Ian Wright	5	2	2	1

AC: Audit Committee

MEC: Management Engagement Committee

NC: Nominations Committee

A Committee of the Board meets quarterly to consider the interim dividend.

In the year under review there were an additional two Committee of the Board meetings to approve the annual results and to receive an update from the Fund Managers in the wake of the COVID-19 pandemic.

Two additional Audit Committee meetings took place in the year under review as part of the audit tender process.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities.

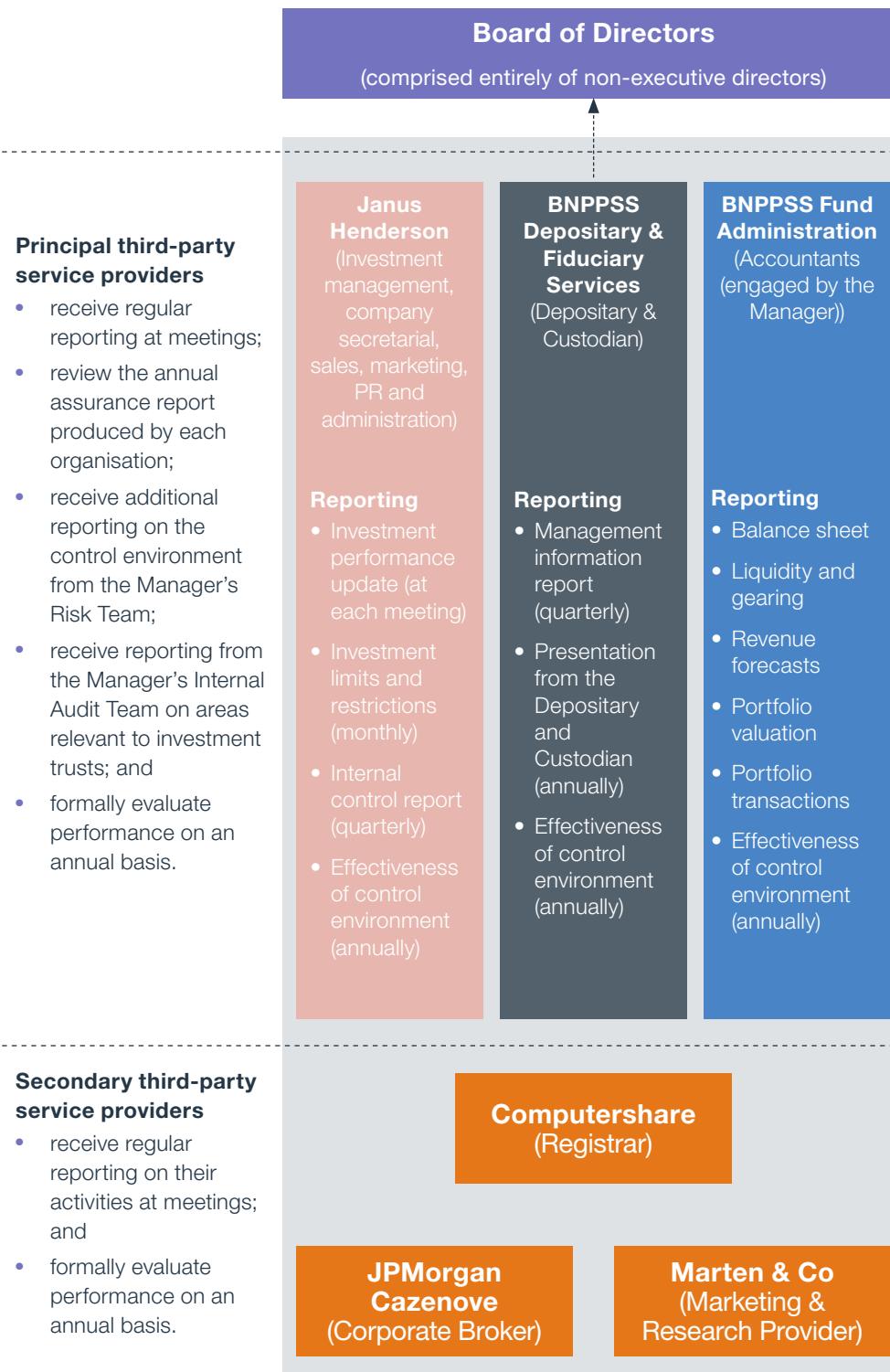
The Company's principal third-party service providers are the Manager (Janus Henderson); the Depositary/Custodian (BNPPSS Depositary & Fiduciary Services) and the Accountants (BNPPSS Fund Administration).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports from each organisation. This reporting is supplemented by the view of the Manager's Risk Team regarding the control environments in operation at the providers.

The Company's secondary providers report regularly to the Board. A failing in their services is deemed to have a minimal impact on the Company's value and therefore less stringent reporting is required.

The Management Engagement Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit Committee evaluates the performance of the Auditor on completion of each audit cycle.



Ernst & Young LLP has been appointed as the Company's Auditor.

By order of the Board

For and on behalf of Henderson Secretarial Services Limited
Corporate Secretary
22 July 2020

Report of the Audit Committee

Membership

All directors are members of the Committee, including the Chairman of the Board. Taking account of the size of the Board as a whole, the absence of any executive directors and the collaborative manner in which the Board and its Committees work, it was not considered practical or constructive to exclude the Chairman from being a member of the Committee. The Chairman of the Board was determined to be independent at the time of his appointment. This is in accordance with the AIC Code.

The Committee is chaired by Ian Wright, who is considered by the Board to have recent and relevant financial experience.

Meetings

The Committee met twice in the year under review at the half year and year end. There were an additional two meetings in the year under review to consider the audit tender presentations from potential audit firms. Please refer to Appointment and Tenure of the Auditors on page 38.

The Company's Auditors and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Representatives from the Manager's Risk, Compliance, Internal Audit, Business Continuity and Information Security Teams may also be invited to attend meetings when necessary.

Role and Responsibilities

The role of the Committee is to assist the Board with reviewing the Company's financial reporting, and monitoring and reviewing the internal controls and risk management systems in place at the Manager and the Company's other third-party service providers. The Committee also makes recommendations to the Board on the appointment, re-appointment and removal of the Company's Auditor. The Committee formally reports to the Board after each meeting and its responsibilities are set out in formal Terms of Reference which are regularly reviewed and can be found on the Company's website www.hendersondiversifiedincome.com.

In the year under review the Committee has been responsible for:

- reviewing the half year results and the Annual Report, including the disclosures made therein in relation to internal control and risk management, viability, going concern and related parties and consideration of whether the report 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 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 Auditors, the Financial Reporting Manager for Investment Trusts, the Company Secretary and other relevant representatives of the Manager.

- considering 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;
- considering the internal controls in place at Janus Henderson (Manager), BNPPSS Fund Administration (Accountants) and BNPPSS Depositary and Fiduciary Services (Depositary and Custodian);
- considering the Manager's policies in relation to information security and business continuity, (meeting with representatives of the Manager's internal audit and risk departments when it is deemed necessary);
- considering the Company's principal and emerging risks through the risk map and updating the risk map accordingly;
- considering the risk management systems in place at the Company's key third-party service suppliers;
- considering the Company's anti-bribery policy and gifts & hospitality register (the Committee was satisfied that the Company was in compliance in the year under review);
- considering the Bribery Act 2010, Modern Slavery Act 2015 and Criminal Finances Act 2017 disclosures from the Company's third-party suppliers confirming that they comply with the legislation;
- considering the appointment of the Auditors and their performance, remuneration and tenure;
- considering the audit plan, including the principal areas of focus;
- considering the Auditor's independence, effectiveness and objectivity, and the provision of any non-audit services (as explained further on page 38) and the Auditor's year end reporting;
- considering the whistleblowing 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 Committee are satisfied that the Manager's whistleblowing policy includes the necessary arrangements for independent investigation and follow up action;
- considering the allocation of fees and finance costs between capital and revenue; and
- considering the use of, and accounting for, interest rate derivatives.

The Committee is satisfied that the Annual Report for the year ended 30 April 2020, 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.

Report of the Audit Committee (continued)

Appointment and Tenure of the Auditors

Ernst & Young LLP (EY) were appointed as Auditors for the period ended 30 April 2018 following the Company's redomicile to the UK in April 2017. The Auditor is required to rotate partners every five years, and this is the third year the current Audit Partner, Matthew Price, has been in place. In the year under review the Committee decided to put the Company's audit for the year ended 30 April 2021 out to tender as a result of a substantial increase in audit fees, many times the rate of inflation.

The Committee subsequently recommended the appointment of Mazars LLP (Mazars) for the year ended 30 April 2021 onwards to the Board.

A resolution to appoint Mazars as the Company's Auditor will be put to shareholders at the 2020 AGM.

Policy on Non-Audit Services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the Auditor. The policy sets out that the Company's Auditor will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence, effectiveness and objectivity. In addition, the provision of any non-audit services by the Auditor is not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit Committee, or the Chairman of the Committee, following due consideration of the proposed services. The policy is available on the Company's website.

There were no fees paid or payable to the Auditor for non-audit services in the year under review (2019: £nil). Non-audit services were provided by the Auditor during the period ended 30 April 2018 in relation to the review of the Company's Prospectus dated 3 March 2017, regarding 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.

Internal Control and Risk Management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Committee supports the Board in the continuous monitoring of the Company's internal control and risk management framework and that of its key service providers. Please refer to the System of Internal Controls on page 36.

The Committee 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 year under review 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 which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts are reviewed at each meeting and the revenue forecasts are considered monthly by the Board;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Management Engagement Committee conducts a formal evaluation of the overall level of services from third-party providers at least annually;
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers; and
- the Board receives quarterly internal controls reports from the Manager and a quarterly report from the Depositary.

The Committee reviews the assurance reports of its key service providers (please refer to page 37) which provide an independent assessment of the effectiveness of the control environment in operation. These reports are produced at least annually.

The Committee also meets with the Manager's Head of Internal Audit as and when it is deemed necessary, but receives as a minimum an annual written update, to obtain comfort that the high standards of internal control and the risk management systems in place at the Manager are satisfactory. In particular, the Committee asks for assurance relating specifically to areas of the Manager's business that directly affect or may indirectly affect investment trusts. In the year under review the Committee has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant. The Committee is therefore satisfied that the internal control and risk management systems in place at the Manager and its key service providers are effective.

Report of the Audit Committee (continued)

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 is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from specific second and third-line of defence teams at the Manager.

The Manager's Risk Team supports the Committee in considering the independently audited assurance reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit Team also provides reporting to the Board on the operations at the Manager. The Committee therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Disclosure of Information to Auditors

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/her knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's Auditor is unaware of, and they have 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.

Audit for the Year Ended 30 April 2020

In the year under review EY challenged both the Manager's and the Board's judgments and exercised professional scepticism. The audit team required detailed evidence of all metrics, numbers and disclosures made within the Annual Report to support a robust assessment and evaluation of the financial information contained therein.

In relation to the Annual Report for the year ended 30 April 2020 the following significant issues were considered and addressed 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, who outsources some of the administration and accounting services to BNPPSS Fund Administration, 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.</p> <p>Ownership of listed investments are verified by reconciliation to the Custodian's records and the directors have received quarterly reports and an annual confirmation from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.</p>
Recognition of income	<p>Income received has been accounted for in line with the Company's accounting policies (as set out on page 59) and was reviewed by the Committee at each meeting to confirm it is in compliance with International Financial Reporting Standards (IFRSs).</p> <p>The Board reviews revenue forecasts on a monthly basis in support of the Company's future dividends.</p>

Report of the Audit Committee (continued)

Significant issues	How the issue was addressed
Maintaining internal controls	<p>Please refer to Internal Control and Risk Management on page 38.</p> <p>The Committee reviewed the service auditors' qualification in respect of the Manager's assurance report for the period 1 October 2018 to 30 September 2019. A number of exceptions resulted in the qualification of two control objectives relating to the restriction of access to systems and data. The Committee is satisfied that the Manager is taking appropriate action to address the issues identified in the report. The Committee is also satisfied that none of the exceptions identified in the report directly impact the Company or the Janus Henderson managed investment trusts more widely.</p>
Maintaining investment trust status	<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 BNPPSS Fund Administration.</p>

Effectiveness and Independence of the Auditor

The Committee monitors the Auditors' independence, effectiveness and objectivity through three aspects of its work: approval of the Policy on Non-Audit Services (please refer to page 38); assessing the appropriateness of the fees paid to the Auditor for all work undertaken by them and by reviewing the information and assurances provided by the Auditor on their compliance with the relevant ethical standards.

For the year ended 30 April 2020 EY confirmed that appropriate safeguards had been adopted within EY to mitigate the risk of principal threats to auditor independence (self-interest, self-review, management and other threats such as advocacy, intimidation or familiarity).

Due to the relatively recent appointment of EY as the Company's Auditor, this being the third year Matthew Price has been Audit Partner and the fact that EY does not provide any non-audit services to the Company, the Committee is satisfied that auditor independence and objectivity are safeguarded.

The Committee's process for evaluating the effectiveness of the external audit comprises two components:

Firstly, the Audit Partner discussed the findings of the latest FRC's Audit Quality Inspection Report (AQIR) on EY with the Committee. The Committee challenged EY on the issues identified in the AQIR published in July 2019. The Committee was reassured that whilst none of the findings raised by the FRC in their most recent review were applicable to the audit

of the Company, EY continued to drive audit quality across all of its audits. EY used root cause analysis to identify the key factors that drive good quality results and embedded these within their processes across the firm.

Secondly, in assessing the effectiveness of the audit process, the Committee discussed the service provided by EY with Janus Henderson's Financial Reporting Manager for Investment Trusts and the Company Secretary, who have the most hands-on involvement in the audit each year. The Committee also reviewed and assessed the robustness of the audit, level of challenge offered by the audit team, the quality of the audit team and timeliness of delivering the tasks required for the audit and reporting for the Committee, benchmarking EY's performance against recent experience with other firms gained through the directors other commitments. The Chairman of the Audit Committee also met privately with the Audit Partner to discuss how the audit operated from his perspective.

Overall the Committee considers that the audit quality for the year ended 30 April 2020 has been high and that the Manager and EY have worked together to enhance and improve reporting to shareholders.

Ian Wright
Chairman of the Audit Committee
22 July 2020

Directors' Remuneration Report

Remuneration Policy

Shareholders last approved the Remuneration Policy at the AGM in 2018. In accordance with section 439A of the Companies Act 2006 (Act), shareholders will be asked to approve the Remuneration Policy at the 2020 AGM. The Remuneration Policy has been enhanced to meet the requirements of The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. Further details can be found in the Notice of Meeting that has been sent to shareholders with this report. It is also available on the website: www.hendersondiversifiedincome.com.

In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the AIC Code. The objective of the Remuneration Policy is to attract, retain and motivate non-executive directors of the quality required to manage the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Board obtains up-to-date information about remuneration in other investment companies of comparable scale and complexity in order to avoid and manage conflicts of interest in determining remuneration levels. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success.

Directors are remunerated in the form of fees, payable quarterly in arrears to the directors personally. In accordance with the Company's Articles of Association the aggregate remuneration of the directors may not exceed £300,000 per annum.

All directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee, who are paid a higher fee in recognition of their additional responsibilities. From time-to-time the Board may approve one-off payments to directors for specific work undertaken in addition to their regular responsibilities. Any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No director has a service contract with the Company.

Directors' appointments may be terminated at any time by written notice with no compensation payable. No director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

Report on Implementation

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 (Regulations). The report also meets the relevant requirements of the Act and the Listing Rules of the FCA and describes how

the Board has applied the principles relating to directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the Directors' Remuneration Report will be proposed at the AGM in 2020.

The Company's Auditors are 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.

The Board as a whole considers directors' remuneration. The Board has not established a Remuneration Committee to consider matters relating to the directors' remuneration in the year under review.

This is because the Company is governed entirely by a board of non-executive directors therefore the Company has no complex executive director or senior management remuneration packages to consider which would require additional expertise.

The Board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration (although the directors review annually the fees paid to the boards of directors of other comparable investment companies).

Annual Statement

As Chairman of the Board, Angus Macpherson reports that directors fees increased from 1 July 2019 (with the exception of the fee for the Chairman of the Board). These increases were to ensure that the directors and the Chairman of the Audit Committee were properly remunerated for their services to the Company and that the Company could remain competitive when recruiting for directors. Please refer to Directors' Remuneration on page 42 for further details.

Directors' Interests in Shares (Audited)

	Ordinary shares of 1p	
	30 April 2020	1 May 2019
Angus Macpherson	101,488	101,488
Denise Hadgill	5,000	–
Win Robbins ¹	50,000	N/A
Stewart Wood	2,500	–
Ian Wright	30,000	30,000

¹ Appointed to the Board on 28 May 2019

There have been no changes in the interests of the directors since the year end to 22 July 2020.

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

Directors' Remuneration Report (continued)

Directors' Remuneration (Audited)

The total salary and fees paid to the directors who served during the years-ended 30 April 2020 and 30 April 2019 was as follows:

	Year ended 30 April 2020 Total fees £	Year ended 30 April 2019 Total fees £	Change ¹ %	Year ended 30 April 2020 Total expenses including taxable benefits £	Year ended 30 April 2019 Total expenses including taxable benefits £	Year ended 30 April 2020 Total £	Year ended 30 April 2019 Total £
Angus Macpherson	37,500	37,500	–	6,355	5,768	43,855	43,268
Denise Hadgill	24,833	24,000	3.5	170	175	25,003	24,175
Win Robbins ²	23,075	–	–	–	–	23,075	–
Stewart Wood	24,833	24,000	3.5	–	–	24,833	24,000
Ian Wright	28,750	27,500	4.5	–	463	28,750	27,963
Total	138,991	113,000		6,525	6,406	145,516	119,406

1 In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 this column shows the annual percentage change over the preceding financial year and the relevant financial year in respect of each director that has served for a minimum of two financial years. The Board will publish this annual percentage change cumulatively each year going forward until there is an annual percentage change over the five financial years preceding the relevant financial year to meet the legislative requirements

2 Appointed to the Board on 28 May 2019

HMRC view certain director expenses (primarily travel to/from Board meetings) as a taxable benefit. The Board decided that with effect from the 2019/2020 tax year onwards director's expenses in relation to travel to/from Board meetings will be reimbursed as a 'grossed up' amount to compensate the affected directors for the additional tax cost that is incurred as a result of HMRC's decision.

The table above omits other columns set out in the relevant regulations because no payments of other types such as performance related pay, vesting performance related pay and pension related benefits were made.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors or third parties specified by any of them.

From 1 July 2019 the fees were as follows (previous rates given in brackets): Chairman of the Audit Committee £29,000 (£27,500) per annum and directors £25,000 (£24,000) per annum. There has been no change to the fee of the Chairman of the Board £37,500 per annum.

Directors' Remuneration Report (continued)

Performance

The graph below measures the Company's performance against total shareholder return as compared to the total return objective three month sterling Libor + 2% over the three-year period ended 30 April 2020.



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 paid to shareholders by way of dividends. There were no share buybacks or 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 in the year under review or prior year.

	2020 £	2019 £	Change £
Total remuneration paid to directors	145,516	119,406	26,110
Ordinary dividends paid during the year ¹	8,361,903	8,343,203	18,700

1 Includes dividends declared but not yet paid

Statement of Voting at AGM

In relation to the resolution at the 2018 AGM seeking approval of the Remuneration Policy 20,891,889 (97.2%) proxy votes were received in favour, 552,302 (2.6%) proxy votes were received against, 36,343 (0.2%) proxy votes were discretionary and 109,119 proxy votes were withheld. The percentage of votes excludes votes withheld.

In relation to the resolution at the 2019 AGM seeking approval of the Directors' Remuneration Report 38,418,151 (99.2%) proxy votes were received in favour, 265,404 (0.7%) proxy votes were received against, 29,045 (0.1%) proxy votes were discretionary and 236,883 proxy votes were withheld. The percentage of votes excludes votes withheld.

For and on behalf of the Board

Angus Macpherson
Chairman
22 July 2020

Report of the Directors

The directors who are listed on pages 29 to 30 present their report and financial statements for the year ended 30 April 2020.

The Corporate Governance Report (pages 31 to 36), Report of the Audit Committee (pages 37 to 40), Statement of Directors' Responsibilities (page 45), Glossary (page 76), Alternative Performance Measures (pages 78 to 79) and General Shareholder Information (pages 80 to 81) all form part of the Report of the Directors.

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 share held. 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.

At the beginning of the year, there were 189,618,240 ordinary shares in issue. During the year, 1,700,000 shares (representing 0.90% of the number of shares in issue at the beginning of the year) were issued to JPMorgan Cazenove at a price range of 94.0p – 94.3p for total proceeds (net of commissions) of £1.59 million. At 30 April 2020 the number of ordinary shares in issue (with voting rights) was 191,318,240.

The Company will seek authority from its shareholders at the 2020 AGM to renew its authority to allot shares up to 10% of the issued share capital. Please refer to the Notice of Meeting that has been sent to shareholders with this report for further details.

Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 30 April 2020 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

% of voting rights

Brewin Dolphin Limited	9.92
Transact Nominees Limited	8.01
Integralife UK Limited	6.00
Canaccord Genuity Group Inc.	3.40

No changes have been notified in the period 1 May 2020 to 22 July 2020.

Related Party Transactions

The Company's transactions with related parties in the year were with the directors and the Manager. There have been no material transactions between the Company and its directors during the year. The only amounts paid to them were in respect of remuneration for which there were no outstanding amounts payable at the year end. Directors' Interests in Shares are disclosed in the Directors' Remuneration Report on page 41. In relation to the provision of services by the Manager (other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties) there have been no material transactions with the Manager affecting the financial position or performance of the Company during the year under review. More details on Transactions with the Manager, including amounts outstanding at the year end, are given in Note 22 on page 74.

The directors confirm that in accordance with Listing Rule 9.8.4(7) there are no further disclosures that need to be made in this regard.

Greenhouse Gas Emissions

Please refer to The Environment on page 27.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
22 July 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, 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 net return 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 judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Director's Report, a Strategic Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

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.

The directors consider that the Annual Report, 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.

Disclosure Guidance and Transparency Rule 4.1.12 Statement

Each of the directors, who are listed on pages 29 to 30, confirms that, to the best of his/her knowledge:

- the Company's financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and financial statements include 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
22 July 2020

Financial Statements



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

Opinion

We have audited the financial statements of Henderson Diversified Income Trust plc for the year ended 30 April 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes to the financial statements 1 to 22, 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 2020 and of its profit for the year 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.

Overview of our Audit Approach

Key audit matters

Materiality

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 22 to 25 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 22 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 58 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 25 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.

- Incomplete and/or inaccurate recognition of investment income.
- Incorrect valuation and/or defective title of the portfolio held at fair value through profit or loss.
- Impact of COVID-19 on the Company and its operations.
- Overall materiality of £1.62m which represents 1% of the Company's net asset value as at 30 April 2020.

Independent Auditors' 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
Incorrect or inaccurate recognition of investment income	<p>Investment income predominantly consists of bond and loan interest income from quoted fixed income securities and secured loans totalling £8.83m (2019: £8.87m). The remaining balance consists of premiums on credit default swaps of £0.45m (2019: £0.42m) and dividend income of £0.26m (2019: £0.26m).</p> <p>The Company's accounting policy is to recognise fixed interest income on an effective yield basis. Dividend income is recognised on an ex-dividend basis. Premiums on credit default swaps are recognised on an accruals basis within the revenue return column.</p> <p>If the Company is not entitled to receive the bond and loan interest, premiums on credit default swaps or dividend income recognised in the financial statements, or, if 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>Additionally, the income recognised could be materially misstated if incorrect foreign exchange rates are used in converting foreign income to the base currency.</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', 'Custodian' and 'Depositary') and Henderson Investment Funds Limited's ('the Manager') processes and controls surrounding revenue recognition by performing a walkthrough to understand their design effectiveness. • We agreed for a sample of quoted fixed income bonds, the coupon rates to an independent source and recalculated the interest income based on the holdings of the respective security; cash receipts were agreed to bank statements. • We sampled quoted fixed income bonds, compared the interest received against any coupon payments due to the Company to ensure that income had been recognised in the correct period or appropriately accrued. • We agreed, for a sample of credit default swaps, the premiums received to broker statements. • We recalculated, for a sample of investments, the effective yield adjustment in line with the accounting policy. • We checked post year end receipts that were due to bank statements to confirm that no defaults were made by issuers after the year end date.
<p>The bond and loan interest is adjusted for amortisation. This amounted to £0.36m for the current year (2019: £0.46m). Calculation of the effective yield adjustment on fixed interest investments and secured loans involves a manual element and therefore the opportunity to manipulate this arises. Given this, we considered there to be a fraud risk, in accordance with Auditing Standards.</p>	<ul style="list-style-type: none"> • We reviewed whether there was any deterioration of credit ratings of the issuers of the corporate bonds held in the investment portfolio subsequent to the year end. • We reviewed the allocation between the capital and revenue column of the Statement of Comprehensive Income and verified through recalculation that this had been correctly applied. • We compared the foreign exchange rates used to an independent source to ensure the rates used were reasonable for all income testing procedures. 	<p>The results of our procedures are:</p> <p>We have no matters to communicate with respect to the procedures in response to the risk of incorrect or inaccurate recognition of investment income.</p>

Independent Auditors' 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/or defective title of the investment portfolio held at fair value through profit or loss</p> <p>The Company holds a significant fixed income portfolio. The total investment portfolio is worth £187.7m, £172.7m of this is represented by fixed income products, £9.6m is represented by secured loans, £5.4m by non-UK equities and £93k by credit default swaps.</p> <p>There is a risk of incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements which could result in the Statement of Financial Position and Statement of Comprehensive Income being materially misstated.</p> <p>The secured loans within the portfolio are held by the Company while all quoted fixed income securities are held by the Custodian. There is a risk of misappropriation of assets and unsecured ownership of the entire investment portfolio.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • We performed a walkthrough to understand the design effectiveness of the Administrator's processes and controls surrounding investment pricing. • We re-priced 100% of the quoted fixed income portfolio to an independent pricing vendor and compared these against the Company records. • For the quoted fixed income portfolio, we independently obtained confirmation from the Custodian and the Depositary of the number of units of each security held as at 30 April 2020 and agreed these to the Company records. • For the secured loans where legal title is held by Henderson Investment Funds Limited, we verified the legal ownership to the loan agreements and to the Depositary confirmation. • We used an independent pricing source to recalculate the foreign exchange translation on all non-sterling securities in the investment portfolio. 	<p>The results of our procedures are:</p> <p>We have no matters to communicate with respect to the procedures that we performed in response to the risk of incorrect valuation and/or defective title of the investment portfolio held at fair value through profit or loss.</p>
<p>Impact of COVID-19 on the Company and its operations</p> <p>Refer to the Report of the Audit Committee (pages 37 to 40) and Accounting Policies (pages 58 to 61). The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets, but as of the date of our audit report, the precise extent of that impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements.</p>	<p>We performed the following procedures:</p> <p><i>Going concern and the viability statement</i></p> <ul style="list-style-type: none"> • We have obtained and reviewed the assessment of going concern which includes consideration of the impact of COVID-19 as prepared by the Manager that was included within the Audit Committee papers. The assessment took into consideration stressed scenarios including a reverse stress test which calculated what fall in net asset value would be required to cause a covenant breach of the most restrictive covenant. • We reviewed the revenue forecast which takes account of the impact COVID-19 may have on the Company which supports the directors' assessment of going concern. • We reviewed the business continuity plan and the supporting documentation from underlying service providers that was contained within the Audit Committee and Board packs. We further noted no material issues with service providers from our audit procedures. • We performed procedures over the liquidity of the portfolio through reviewing managements assessment of how quickly the portfolio could be liquidated if required. 	<p>The results of our procedures are:</p> <p>We are satisfied that directors have appropriately considered the impact of COVID-19 on the operations and financial outlook of the Company and the appropriate disclosures have been made in the financial statements.</p>

Independent Auditors' 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>The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the financial statements in the following areas:</p> <p><i>Going concern and the viability statement</i></p> <p>There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of COVID-19 on the Company continuing to meet its stated objective.</p> <p><i>Revenue recognition</i></p> <p>There is a risk that revenue could be incorrectly stated due to fixed income payments accrued at the year end on underlying investments being subsequently defaulted upon.</p> <p><i>Financial statement disclosures</i></p> <p>There is a risk that the impact of COVID-19 is not adequately disclosed in the financial statements.</p>	<p><i>Revenue recognition</i></p> <ul style="list-style-type: none"> In response to the increased likelihood that companies fail to make payments due because of COVID-19, we have reviewed the recoverability of accrued fixed income up to the date of the approval of the Annual Report and financial statements, as set out in our response to the risk on incorrect or inaccurate revenue recognition. <p><i>Financial statements disclosures</i></p> <ul style="list-style-type: none"> We reviewed the disclosures contained within the Annual Report and financial statements, including the going concern and viability statements and the commentary in the Investment Manager's review, to ensure that the impact of COVID-19 has been included appropriately. 	

We have included a risk in relation to the impact of COVID-19 which was not included in our prior year audit report. This has been included to set out our approach in addressing this the new and developing risk.

An Overview of the Scope of Our Audit

Our application of materiality

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 £1.63m (2019: £1.65m), which is 1% (2019: 1%) of the Company's net asset value. We believe that net asset value provides the most important financial metric on which shareholders would judge the performance of the Company and it is a generally accepted auditing practice for investment trust audits.

Independent Auditors' 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 judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £1.22m (2019: £1.23m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

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 £0.08m (2019: £0.08m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Given the importance of the distinction between revenue and capital for investment trusts, we also applied a separate testing threshold of £0.42m (2019: £0.42m) for the revenue column of the Statement of Comprehensive Income, being 5% of profit before taxation.

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, including the Strategic Report and Directors' Report set out on pages 1 to 27 and 44 respectively, 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 45** – 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
- **Report of the Audit Committee set out on pages 37 to 40** – 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 31** – 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.

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

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 year 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; 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, 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 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 the Company Secretary and review of the Company's documented policies and procedures.

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

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete and/or inaccurate revenue recognition through incorrect classification of special dividends and the valuation and defective title to unlisted investments. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, 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.

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 year ending 30 April 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 30 April 2018 to 30 April 2020.
- 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

22 July 2020

Notes:

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

Statement of Comprehensive Income

Notes	Year ended 30 April 2020			Year ended 30 April 2019		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
11	Gains on investments held at fair value through profit or loss	–	1,683	1,683	–	2,790
18	Losses on foreign exchange transactions at fair value through profit or loss	–	(4,514)	(4,514)	–	(3,388)
3	Investment income	9,548	–	9,548	9,558	–
4	Other operating income	11	–	11	27	–
	Total income	9,559	(2,831)	6,728	9,585	(598)
	Expenses					
5	Management fee	(535)	(534)	(1,069)	(520)	(519)
6	Other expenses	(414)	–	(414)	(426)	–
	Profit before finance costs and taxation	8,610	(3,365)	5,245	8,639	(1,117)
7	Finance costs	(233)	(232)	(465)	(184)	(185)
	Profit before taxation	8,377	(3,597)	4,780	8,455	(1,302)
8	Taxation	(5)	–	(5)	15	–
	Profit after taxation	8,372	(3,597)	4,775	8,470	(1,302)
9	Earnings/(loss) per ordinary share	4.40p	(1.89p)	2.51p	4.47p	(0.69p)
						3.78p

1 For the year under review the Company's accounting policies have not varied from those described in the Annual Report for the year ended 30 April 2019. However, the foreign currency components in the 'gains/(losses) on investments held at fair value through profit or loss' and the 'losses on foreign exchange at fair value through profit or loss' have been reclassified together in the year ended 30 April 2020 and year ended 30 April 2019 to better reflect the movements in foreign currency value associated with investments

The total columns of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRS 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. The Company had no other comprehensive income. The profit after taxation is also the total comprehensive income for the year.

Statement of Changes in Equity

Notes		Year ended 30 April 2020					
		Called-up share capital £'000	Share premium £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 May 2019	1,896	–	165,533	(5,145)	2,334	164,618
	Total comprehensive income:						
	Profit after taxation	–	–	–	(3,597)	8,372	4,775
	Transactions with owners, recorded directly to equity:						
15&16	Proceeds from issue of shares	17	1,576	–	–	–	1,593
10	Dividends paid	–	–	–	–	(8,362)	(8,362)
	Total equity at 30 April 2020	1,913	1,576	165,533	(8,742)	2,344	162,624

Statement of Financial Position

Notes		At 30 April 2020 £'000	At 30 April 2019 £'000
	Non current assets		
11	Investments at fair value through profit or loss	187,645	180,797
	Current assets		
12	Other receivables	6,127	2,949
	Cash and cash equivalents	3,735	525
		9,862	3,474
	Total assets	197,507	184,271
	Current liabilities		
13	Other payables	(2,248)	(1,126)
14.2 & 20	Bank loan	(32,635)	(18,527)
	Total assets less current liabilities	162,624	164,618
	Net assets	162,624	164,618
	Equity attributable to equity shareholders		
15	Called-up share capital	1,913	1,896
16	Share premium	1,576	–
17	Distributable reserve	165,533	165,533
18	Capital reserve	(8,742)	(5,145)
	Revenue reserve	2,344	2,334
	Total equity	162,624	164,618
19	Net asset value per ordinary share	85.00p	86.82p

The financial statements were approved by the Board and authorised for issue on 22 July 2020 and were signed on its behalf by:

Angus Macpherson
Chairman

Statement of Cash Flows

	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Operating activities		
Net profit before tax	4,780	7,153
Interest payable	465	369
Gains on investments held at fair value through profit or loss	(1,683)	(2,790)
Losses on foreign exchange transactions at fair value through profit or loss	4,514	3,388
Net payments on settlement of forward foreign exchange contracts	(8,849)	(13,887)
Net payments on credit default swaps	(1,573)	(267)
(Decrease)/increase in prepayments and accrued income	(19)	(38)
Increase/(decrease) in other creditors	7	(34)
Purchases of investments	(92,690)	(92,729)
Sales of investments	91,120	115,907
Net cash (outflow)/inflow from operating activities before finance costs¹	(3,928)	17,072
Interest paid	(452)	(398)
Tax recovered	–	58
Taxation on investment income	(5)	(43)
Net cash (outflow)/inflow from operating activities	(4,385)	16,689
Financing activities		
Equity dividends paid	(8,362)	(8,344)
Issue of ordinary shares	1,593	–
Issue costs	–	(5)
Drawdown of bank overdraft	317	–
Drawdown/(repayment) of loans	14,108	(8,283)
Net cash inflow/(outflow) from financing activities	7,656	(16,632)
Increase in cash and cash equivalents	3,271	57
Cash and cash equivalents at start of year	(9)	370
Exchange movements	(61)	(436)
Cash and cash equivalents at 30 April	3,201	(9)

1 Cash inflow from interest income was £9,302,000 (2019: £9,827,000) and cash inflow from dividends was £264,000 (2019: £264,000)

Notes to the Financial Statements

1 General information

The Company was incorporated on 23 February 2017. On 26 April 2017, the directors of its predecessor company, Henderson Diversified Income Limited (Jersey Company), placed the Jersey domiciled company into a Jersey Summary Winding Up and transferred the shareholdings and assets and liabilities of the Jersey Company to the Company. The Company is a registered investment company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

2 Accounting policies

a) Basis of preparation

The financial statements 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.

These policies have been applied consistently throughout the year. Where presentational guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies (AIC) in October 2019 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 directors have performed a COVID-19 analysis which included cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio and have concluded that they are able to meet their financial obligations, including the repayment of the bank loan, as they fall due for a period of at least twelve months from the date of issuance. Having assessed these factors, as well as the principal risks and other matters discussed in connection with the Viability Statement (please refer to page 25) the directors confirm that 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.

i) The following new and amended standards are relevant and applicable to the Company and have been adopted.
There has been no impact on the financial statements as a result of these new and amended standards.

Standards		Effective for annual periods beginning on or after
IAS 12 Amendment (AI 2015-17)	Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
IAS 23 Amendment (AI 2015-17)	Borrowing Costs Eligible for Capitalisation	1 January 2019
IFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
Interpretations		
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

ii) Relevant new standards, amendments and interpretations issued but not effective for the current financial year and not early adopted by the Company:

Standards		Effective for annual periods beginning on or after
IAS 1 Amendments	Classification of Liabilities as Current or Non-Current	1 January 2022
IAS 1 and IAS 8 Amendments	Definition of Material	1 January 2020
IAS 1, 8, 34, 37, 38 and IFRS 2, 3, 6, 14	Amendment to References to the Conceptual Framework	1 January 2020
IFRS 3 Amendment	Definition of a Business	1 January 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform	1 January 2020
Interpretations		
IFRIC 12, 19, 20, 22 and SIC 32	Amendment to References to the Conceptual Framework	1 January 2020

It is expected that these new standards, amendments and interpretations will have no impact on the financial statements.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

b) Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, 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 judgments, estimates or assumptions.

c) Investments at fair value through profit or loss

The investments are managed as a portfolio on a fair value basis. All investments are accounted for upon initial recognition 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. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the Company's Statement of Financial Position date, without deduction of the estimated future selling costs.

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 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 based on the coupon payable by the instrument adjusted to spread any premium or discount on purchase or redemption over the instrument's remaining life. 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 default, the income for the relevant period is allocated to capital to reduce the capital loss arising.

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 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 net 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 rate of corporation tax for the accounting year.

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)

f) Taxation (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.

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 year 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 excluding bank loans. 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 and overdrafts are recorded as the proceeds are received, net of direct issue costs. After initial recognition bank loans and overdrafts 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 and interest rate derivatives, 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. All gains or losses resulting from forward currency exchange contracts are allocated to the capital return. Credit default swaps (CDSs) are carried at the fair value and the net capital gains/ (losses) are reflected within the 'gains on investments held at fair value through profit or loss'.

CDSs are credit derivatives and fair value is deemed to be discounted present value with reference to calculation of fee leg and contingent leg, adjusted for accrued interest at contract date and the likelihood of default. Changes in value CDSs are allocated wholly to capital reserves.

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 year 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

	2020 £'000	2019 £'000
Income from investments:		
Dividend income	264	264
Bond and loan interest	8,831	8,870
Premiums on credit default swaps	453	424
	9,548	9,558

Notes to the Financial Statements (continued)

4 Other operating income

	2020 £'000	2019 £'000
Bank and other interest	11	17
Other income	–	10
	11	27

5 Management fee

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
Investment management fee	535	534	1,069	520	519	1,039

A summary of the Fee Arrangements with the Manager are given in the Strategic Report on pages 25 to 26.

6 Other expenses

	2020 £'000	2019 £'000
Directors' fees and expenses ¹	146	119
Auditors remuneration – for audit services	45	36
Other expenses payable to the management company (marketing)	66	55
Bank and custody charges	13	14
Depositary fees	26	35
Registrar fees	19	20
AIC subscriptions	13	13
Printing expenses	8	11
Listing fees	20	17
Other expenses	58	106
	414	426

¹ There was a director vacancy during 2019 that was filled for 2020

7 Finance costs

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
On bank loans and overdrafts payable within one year	233	232	465	184	185	369

Notes to the Financial Statements (continued)

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 year. 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 2020.

The standard rate of corporation tax in the UK was 19% for the year. However, the tax charge in the current year was lower than the standard tax rate, largely due to the reduction in corporation tax from the interest distribution noted above. The effect of this and other items affecting the tax charge is shown in Note 8 (b) below.

a) Analysis of charge in the year

	2020			2019		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Current tax:						
Overseas withholding tax	5	–	5	43	–	43
Tax recovered from Luxembourg subsidiary	–	–	–	(58)	–	(58)
Total tax charge for the year	5	–	5	(15)	–	(15)

b) Factors affecting the current tax charge for the year

	2020			2019		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Net return before taxation	8,377	(3,597)	4,780	8,455	(1,302)	7,153
UK corporation tax charge at 19% (2019: 17%)	1,592	(683)	909	1,606	(247)	1,359
Effects of:						
UK dividends	(50)	–	(50)	(50)	–	(50)
Currency gains/losses	–	1,693	1,693	–	2,721	2,721
Realised/unrealised gains/losses on investments	–	(1,155)	(1,155)	–	(2,608)	(2,608)
Income being paid as interest distribution	(1,592)	–	(1,592)	(1,585)	–	(1,585)
Excess management expenses and loan relationships	50	145	195	29	134	163
Irrecoverable overseas withholding tax	5	–	5	43	–	43
Tax recovered	–	–	–	(58)	–	(58)
Total tax charge for the year	5	–	5	(15)	–	(15)

c) Provision for deferred taxation

No provision for deferred taxation has been made in the current or previous year.

The Company has not provided for deferred taxation on capital gains or losses arising on the revaluation in investments as it is exempt from tax on these items because 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 £744,000 (2019: £490,000) based on the prospective corporation tax rate of 19% (2019: 17%). On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. 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.

Notes to the Financial Statements (continued)

9 Earnings/(loss) per ordinary share

The total earnings per ordinary share figure is based on the net profit attributable to the ordinary shares of £4,775,000 and on 190,017,557 ordinary shares (2019: £7,168,000 on 189,618,240 ordinary shares) being the weighted average number of ordinary shares in issue during the year.

The total earnings can be further analysed as follows:

	2020 £'000	2019 £'000
Revenue profit	8,372	8,470
Capital loss	(3,597)	(1,302)
Profit for the year	4,775	7,168
Weighted average number of ordinary shares	190,017,557	189,618,240
Revenue earnings per ordinary share	4.40p	4.47p
Capital earnings per ordinary share	(1.89p)	(0.69p)
Earnings per ordinary share	2.51p	3.78p

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

10 Dividends

Dividends on ordinary shares	Record date	Payment date	2020 £'000	2019 £'000
Fourth interim dividend (1.10p) for the year ended 30 April 2019 (2018 – 1.10p)	7 June 2019	28 June 2019	2,086	2,086
First interim dividend (1.10p) for the year ended 30 April 2020 (2019 – 1.10p)	6 September 2019	30 September 2019	2,086	2,086
Second interim dividend (1.10p) for the year ended 30 April 2020 (2019 – 1.10p)	6 December 2019	31 December 2019	2,086	2,086
Third interim dividend (1.10p) for the year ended 30 April 2020 (2019 – 1.10p)	6 March 2020	31 March 2020	2,104	2,086
			8,362	8,344

The fourth interim dividend has not been included as a liability in these financial statements as it was announced and paid after 30 April 2020.

	2020 £'000	2019 £'000
Revenue available for distribution by way of dividends for the year	8,372	8,470
First interim dividend	(2,086)	(2,086)
Second interim dividend	(2,086)	(2,086)
Third interim dividend	(2,104)	(2,086)
Fourth interim dividend	(2,104)	(2,086)
	(8)	126

Notes to the Financial Statements (continued)

11 Investments at fair value through profit or loss

	2020 Total £'000	2019 Total £'000
Cost at beginning of year	176,134	204,017
Holding gains/(losses)	4,663	(6,578)
Valuation at beginning of year	180,797	197,439
Movements:		
Purchases at cost	94,102	87,763
Proceeds of sales	(94,107)	(113,756)
Gains on investments	6,853	9,351
Valuation at end of year	187,645	180,797
Cost at end of year	181,605	176,134
Holding gains	6,040	4,663
Valuation at end of year	187,645	180,797
Gains/(losses) on investments held at fair value through profit or loss	2020 £'000	2019 £'000
Realised gains/(losses) on sales of investments at fair value through profit or loss	5,476	(1,890)
Movement in investment holdings (losses)/gains at fair value through profit or loss	(1,828)	5,088
Realised losses on sales of credit default swaps at fair value through profit or loss	(2,866)	(489)
Gains on credit default swaps held at fair value through profit or loss	901	81
	1,683	2,790

The Company received £94,107,000 (30 April 2019: £113,756,000) from investments sold in the year. The book cost of these investments when they were purchased was £88,631,000 (30 April 2019: £115,646,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

During the year expenses amounting to £2,000 (2019: £2,000) were incurred in acquiring or disposing of investments 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.

12 Other receivables

	2020 £'000	2019 £'000
Amounts due from brokers	2,987	–
Prepayments and accrued income	2,483	2,464
Credit default swaps held at fair value through profit or loss	93	485
Currency forward exchange contracts held at fair value through profit or loss	564	–
	6,127	2,949

Notes to the Financial Statements (continued)

13 Other payables

	2020 £'000	2019 £'000
Amounts due to brokers	1,412	–
Bank overdraft	317	–
Interest payable	31	18
Other payables	488	481
Currency forward exchange contracts held at fair value through profit or loss	–	627
	2,248	1,126

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 manages the risk inherent in the investment policy by setting asset allocation limits (please refer to page 18) and monitoring this asset allocation in the portfolio through regular 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:

	2020 £'000	2019 £'000
High yield bonds	105,415	116,854
Investment grade bonds	67,271	49,471
Secured loans	9,553	9,024
Preference stock	3,722	3,834
Asset backed securities	1,684	1,614
	187,645	180,797

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

	2020 Increase in fair value £'000	2020 Decrease in fair value £'000	2019 Increase in fair value £'000	2019 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(49)	49	(48)	48
Capital return	18,716	(18,716)	18,032	(18,032)
Change to profit after tax for the year and net assets	18,667	(18,667)	17,984	(17,984)

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.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

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.

	2020			2019		
	AUD	USD	EURO	AUD	USD	EURO
Investments at fair value through profit or loss	1,903	144,035	5,272	1,930	131,701	4,986
Receivables (due from brokers, dividends and other income receivables)	14	4,382	185	16	1,640	105
Bank overdraft	–	–	(317)	–	–	–
Cash at bank and on deposit	–	–	–	–	18	–
Payables (due to brokers, accruals and creditors)	–	(641)	(651)	–	–	–
Forward currency sales	(1,909)	(147,535)	(4,725)	(1,939)	(132,603)	(5,562)
Credit default swaps	–	–	93	–	–	485
	8	241	(143)	7	756	14

Foreign currency sensitivity

A 10% increase or decrease in the Euro/Sterling exchange rate would increase or decrease total equity by £14,000 (2019: £1,000). A 10% increase or decrease in the USD/Sterling exchange rate would increase or decrease total equity by £24,000 (2019: £76,000). A 10% increase or decrease in the AUD/Sterling exchange rate would increase or decrease total equity by £1,000 (2019: £1,000).

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

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.

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 because as the Company reinvests income, a change in rates will impact the rate that the reinvested money will yield;
- the level of income from 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 Board supports the Fund Managers' use of interest rate derivatives to mitigate interest rate risk and manage duration.

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 2020 (2019: £nil).

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.3 Interest rate risk (continued)

Interest rate exposure

The exposure at 30 April 2020 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.

	2020				2019			
	Within one year £'000	One to five years £'000	More than five years £'000	Total £'000	Within one year £'000	One to five years £'000	More than five years £'000	Total £'000
Exposure to floating interest rates:								
Investments at fair value through profit or loss	–	3,612	11,875	15,487	–	4,201	10,271	14,472
Cash and cash equivalents	3,735	–	–	3,735	525	–	–	525
Bank overdraft	(317)	–	–	(317)	–	–	–	–
Bank loan	(32,635)	–	–	(32,635)	(18,527)	–	–	(18,527)
	(29,217)	3,612	11,875	(13,730)	(18,002)	4,201	10,271	(3,530)
Exposure to fixed interest rates:								
Investments held at fair value through profit or loss	1,141	14,230	156,787	172,158	–	15,164	151,161	166,325
	1,141	14,230	156,787	172,158		15,164	151,161	166,325

At 30 April 2020 and 30 April 2019, 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 5.3% (2019: 5.4%).

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 year. Cash balances at the year end were £3,735,000 (2019: £525,000) 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 activities after taxation by approximately £37,000 (2019: £5,000).
- Fixed income investment sensitivity – the Company's investment portfolio at 30 April 2020 was valued at £183,395,000 (2019: £176,963,000) and has a modified duration (interest rate sensitivity) of approximately 6.75 years (2019: 5.60 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 increase or decrease this portfolio's return by approximately £12,379,000 (2019: £9,910,000).
- Interest on borrowings – the level of borrowings varies throughout the year. Borrowings at the year end were £32,635,000 (2019: £18,527,000) and if that level of borrowings was maintained for a full year, a 100 basis point change in Libor (up or down) would increase or decrease the total return on activities after cash by approximately £326,000 (2019: £185,000).

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

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 £32,635,000 was drawn down at 30 April 2020 (2019: £18,527,000). The Board are currently in the process of negotiating a new short-term loan facility with BNP Paribas Securities Services. The Company's existing loan facility with Scotiabank expires on 14 August 2020. The interest rate currently charged on the loan is 0.875% above Libor (2019: 0.875% 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 2020				At 30 April 2019			
	3 months or less £'000	More than 3 months, less than one year £'000	More than one year £'000	Total £'000	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	1,900	–	–	1,900	1,108	–	–	1,108
Interest accrual on bank loan	31	–	–	31	18	–	–	18
Bank overdraft	317	–	–	317	–	–	–	–
Bank loan	32,635	–	–	32,635	18,527	–	–	18,527
	34,883	–	–	34,883	19,653	–	–	19,653

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

	Value at 30 April 2020					
	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	Total £'000
High yield bonds	13,120	76,814	1,869	–	13,612	105,415
Investment grade bonds	2,252	44,245	6,504	10,006	4,264	67,271
Secured loans	3,613	5,940	–	–	–	9,553
Preference stock	–	–	–	–	3,722	3,722
Asset backed securities	–	–	1,684	–	–	1,684
	18,985	126,999	10,057	10,006	21,598	187,645

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.2 Liquidity risk (continued)

	Value at 30 April 2019					
	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	Total £'000
High yield bonds	13,561	88,701	1,661	1,265	11,666	116,854
Investment grade bonds	1,603	36,219	2,454	4,083	5,112	49,471
Secured loans	4,201	4,823	–	–	–	9,024
Preference stock	–	–	–	–	3,834	3,834
Asset backed securities	–	–	–	1,614	–	1,614
	19,365	129,743	4,115	6,962	20,612	180,797

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 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 enhancing income 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 2020, the gross exposure to ITRAXX indices was £23,973,000 (2019: £6,417,000) and exposure of £23,973,000 (2019: £6,417,000) 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 2020 the protection purchased was nil (2019: nil).

The credit quality of bonds and secured loans are detailed in the table overleaf. None of the Company's financial assets are past due or impaired.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.3 Credit risk (continued)

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

Rating	2020 Market value £'000	2020 % of portfolio	2019 Market value £'000	2019 % of portfolio
A	5,524	3.0	8,713	4.8
BBB	62,336	33.2	40,758	22.6
BB	57,297	30.5	73,363	40.6
B	41,155	21.9	31,702	17.5
CCC	589	0.3	5,860	3.2
Non-rated	11,191	6.0	11,377	6.3
Secured loans	9,553	5.1	9,024	5.0
	187,645	100.0	180,797	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 unrealised change in fair value for such forward exchange contracts recognised in the Statement of Comprehensive Income for the year was a gain of £564,000 (2019: loss of £627,000). The forward currency transactions serve to hedge back the value of AUD Dollar, Euro and US Dollar denominated securities to sterling.

Credit default swaps are fair valued. The amount of unrealised change in fair value recognised in the Statement of Comprehensive Income for the year for credit default swaps was a gain of £1,086,000 (2019: gain of £185,000).

14.5 Fair value hierarchy

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

2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Investments	178,092	9,553	–	187,645
Credit default swaps	–	93	–	93
Currency forward exchange contracts	–	564	–	564
	178,092	10,210	–	188,302
Financial liabilities at fair value through profit or loss:	–	–	–	–
	–	–	–	–
2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Investments	171,773	9,024	–	180,797
Credit default swaps	–	485	–	485
	171,773	9,509	–	181,282
Financial liabilities at fair value through profit or loss:	–	627	–	627
Currency forward exchange contracts	–	627	–	627
	–	627	–	627

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.5 Fair value hierarchy (continued)

There have been no transfers between levels of the fair value hierarchy during the year. 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 of 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. Secured loans are valued taking into account latest dealing prices, broker quotes and valuations from independent valuation providers; 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 year.

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 £32,635,000 at 30 April 2020 (2019: £18,527,000).

As at 30 April 2020, the ratio of borrowings to net assets under the facilities was 20.1% (2019: 11.3%).

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 need 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 requirement:

- 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 4.50 to 1.00 times (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 year.

Notes to the Financial Statements (continued)

15 Share capital

	Number of shares entitled to dividend	2020 Total number of shares	Nominal value of shares £'000
Ordinary shares of 1p each			
At start of year	189,618,240	189,618,240	1,896
Issue of shares	1,700,000	1,700,000	17
Closing balance at 30 April	191,318,240	191,318,240	1,913

	Number of shares entitled to dividend	2019 Total number of shares	Nominal value of shares £'000
Ordinary shares of 1p each			
At start of year	189,618,240	189,618,240	1,896
Closing balance at 30 April	189,618,240	189,618,240	1,896

During the year to 30 April 2020 1,700,000 ordinary shares were issued for proceeds of £1,593,000 (2019: nil).

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

	2020 £'000	2019 £'000
At start of year	–	–
Issue of shares	1,576	–
At 30 April	1,576	–

17 Distributable reserve

	2020 £'000	2019 £'000
At start of year	165,533	165,538
Expenses incurred in cancelling share premium	–	(5)
At 30 April	165,533	165,533

18 Capital reserves

	2020			2019		
	Capital reserve arising on revaluation on investments held £'000	Capital reserve arising on investments sold £'000	Total £'000	Capital reserve arising on revaluation on investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At start of year	4,679	(9,824)	(5,145)	(11,425)	7,582	(3,843)
Exchange movements ¹	3,937	(8,451)	(7,719)	10,935	(14,323)	(3,388)
Movement in unrealised (depreciation)/appreciation ¹	(1,828)	–	(1,828)	5,088	–	5,088
Gains/(losses) on investments	–	5,476	5,476	–	(1,890)	(1,890)
Costs charged to capital	–	(766)	(766)	–	(704)	(704)
Movement in credit default swaps	901	(2,866)	(1,965)	81	(489)	(408)
At end of year	4,484	(16,431)	(11,947)	4,679	(9,824)	(5,145)

¹ There has been a transfer of £3,205,000 (2019: £6,153,000) foreign exchange movements between these lines to reflect how the forward foreign exchange contracts hedge the portfolio

Notes to the Financial Statements (continued)

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 30 April 2020 of £162,624,000 (2019: £164,618,000) and on 191,318,240 (2019: 189,618,240) ordinary shares, being the number of ordinary shares in issue at the year end.

20 Reconciliation of liabilities arising from financing activities

	At start of year £'000	Cash flows £'000	Exchange movements £'000	Other non-cash movements £'000	30 April 2020 £'000
Bank overdraft	–	317	–	–	317
Bank loans (see Note 14.2)	18,527	14,108	–	–	32,635
	18,527	14,425	–	–	32,952

	At start of year £'000	Cash flows £'000	Exchange movements £'000	Other non-cash movements £'000	30 April 2019 £'000
Bank overdraft	–	–	–	–	–
Bank loans (see Note 14.2)	26,810	(8,283)	–	–	18,527
	26,810	(8,283)	–	–	18,527

21 Contingent liabilities

There were no contingent liabilities as at 30 April 2020 (2019: nil).

22 Transactions with the Manager

Under the terms of an agreement effective from 3 March 2017, the Company appointed Janus Henderson to provide investment management, accounting, administrative and company secretarial services. Janus Henderson has contracted with BNPPSS to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic Report on pages 25 to 26. The total fees paid or payable under this agreement to Janus Henderson in respect of the year ended 30 April 2020 were £1,069,000 (2019: £1,039,000) (see Note 5 on page 62) of which £335,000 (2019: £354,000) is included in the accruals at 30 April 2020.

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Janus Henderson also provided sales and marketing services which until 31 December 2017 were charged to the Company at an annual cost of £24,000. Since 1 January 2018 there was no separate charge for these services. Total amounts paid to Janus Henderson in respect of marketing for the year ended 30 April 2020 amounted to £60,000 (2019: £55,000).

The compensation payable to key management personnel is in respect of the short-term employment benefits which was £139,000 (2019: £113,000). The disclosure relates wholly to the fees of £139,000 (2019: £113,000) payable to the directors in respect of the year; the directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on pages 41 to 43 provides more details. The Company has no employees.

Additional Shareholder Information



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.

Alternative Performance Measures (APM)

A glossary of alternative performance measures can be found on pages 78 and 79.

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. The Company's AIC sector is Debt – Loans & Bonds.

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 + 2%.

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

As an AIF the Company is 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 announced, 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.

Glossary (continued)

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.

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.

Alternative Performance Measures (Unaudited)

The Company uses the following alternative performance measures (APMs) throughout the Annual Report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or Premium

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

	NAV pence	Share price pence	Premium/ (discount) to NAV %
As at 30 April 2020	85.00	83.0	(2.4)
As at 30 April 2019	86.82	90.8	4.4

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 and total equity (see Statement of Financial Position) divided by total equity and multiplied by 100.

		2020	2019
Investments held at fair value through profit or loss (£'000) (page 56)	(A)	187,645	180,797
Net assets (£'000) (page 56)	(B)	162,624	164,618
Gearing (A/B)/B – 1 (%)		15.4	9.8

Synthetic Gearing

Synthetic gearing is the gearing effect of investing in credit derivatives including interest rate derivatives. This is calculated as the gross market value of the exposure to derivatives divided by total equity and multiplied by 100.

		2020	2019
Credit default swaps (£'000)	(A)	24,067	6,902
Net assets (page 56) (£'000)	(B)	162,624	164,618
Synthetic gearing (C = (A / B) (%)	(C)	14.8	4.2

Net Asset Value ('NAV') per Ordinary Share

The value of the Company's assets (i.e. investments held at fair value through profit or loss (see Note 11 on page 65) and cash held (see Statement of Financial Position on page 56)) less any liabilities (i.e. financial liabilities (see Note 14)) for which the Company is responsible divided by the number of ordinary shares in issue (see Note 15 on page 74). The aggregate NAV is also referred to as total equity shareholders' funds in the Statement of Financial Position. The NAV per ordinary share is published daily and the year end NAV can be found on page 3 and further information is available in Note 19 on page 74.

Alternative Performance Measures (Unaudited)

(continued)

Ongoing Charge

The ongoing charge ratio has been calculated in accordance with the guidance issued by the AIC as the total investment management fees and administrative expenses expressed as a percentage of the NAV throughout the year.

	2020	2019
Management fee (£'000) (page 62)	1,069	1,039
Other administrative expenses (£'000) (page 62)	414	428
Less: non-recurring expenses (£'000)	–	(30)
Ongoing charge (£'000)	1,483	1,437
Average net assets¹ (£'000)	167,347	161,095
Ongoing charge ratio (%)	0.89	0.89

1 Calculated using the average daily NAV

The ongoing costs provided in the Company's Key Information Document (KID) is calculated in line with the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs). The ongoing costs in the KID includes finance costs.

Revenue Return per Ordinary Share

The revenue return per ordinary share, is the revenue return for the year (see Statement of Comprehensive Income on page 54) divided by the weighted average number of ordinary shares in issue during the year (see Note 9 on page 64).

Total Return

The return on the share price or NAV taking into account both the rise and fall of NAV/share prices and dividends paid to shareholders. 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). Dividends paid and payable are set out in Note 10 on page 64.

	2020	2019
NAV per share at start of year (p)	86.82	87.44
NAV per share at end of year (p)	85.00	86.82
Change in the year (%)	(2.1)	(0.7)
Impact of dividends reinvested (%)	5.1	5.3
NAV total return for the year (%)	2.9	4.7

	2020	2019
Share price per share at start of year (p)	90.80	91.80
Share price per share at end of year (p)	83.00	90.80
Change in the year (%)	(8.6)	(1.1)
Impact of dividends reinvested (%)	4.9	5.2
Share price total return for the year (%)	(3.4)	4.2

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

	30 April 2020	30 April 2019
Annual dividend (p)	(A)	4.40
Share price (p)	(B)	83.00
Yield (C=A/B) (%)	(C)	5.3

General Shareholder Information

AIFMD Disclosures

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of Janus Henderson, as the Company's AIFM is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document (AIFMD Disclosure) which can be found on the Company's website: www.hendersondiversifiedincome.com.

BACS

Dividends can be paid by means of Bankers' Automated Clearing Services (BACS); mandate forms for this purpose are available from the Registrar, Computershare Investor Services PLC. Alternatively, shareholders can write to the Registrar (the address is given on page 82) 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

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 is 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 Annual 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, audio tape or larger type as appropriate.

You can contact the Registrar, 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 U.S.) to file yearly reports on their non-U.S. financial accounts. Investment trusts need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company therefore makes an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, identify and report U.S. 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 <https://www.janushenderson.com/en-gb/investor/bio/gdpr/>.

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 (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 1p each can be recommended by IFAs to ordinary retail investors in accordance with the 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 because they are shares in an investment trust.

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.

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.

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.

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 and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment "advice".

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary on 020 7818 1818.

Corporate Information

Registered Office

201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

Service Providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London
EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818
Email: support@janushenderson.com

Depositary and Custodian

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

Stockbrokers

JPMorgan Cazenove Limited
25 Bank Street
London
E14 5JP

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 707 1039
Email: web.queries@computershare.co.uk

Investors with share certificates (i.e. not those in a share plan or ISA) can check their holdings at www.computershare.com.

Independent Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Financial Calendar

Annual General Meeting	15 September 2020
1st interim dividend payable on	30 September 2020
Half year results	Announced December 2020
2nd interim dividend payable on	31 December 2020
3rd interim dividend payable on	31 March 2021
4th interim dividend payable on	30 June 2021

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 Janus Henderson Investment Trusts 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.

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.

Henderson Diversified Income Trust plc
Registered as an investment company in England and Wales
Registration number: 10635799
Registered office: 201 Bishopsgate, London EC2M 3AE

ISIN number/SEDOL: Ordinary Shares: GB00BF03YC36/ BF03YC3
London Stock Exchange (TIDM) Code: HDIV

Global Intermediary Identification Number (GIIN): QR3G93.99999.SL.826
Legal Entity Identifier (LEI): 213800RV2228EO1JEN02

Telephone: 0800 832 832
Email: support@janushenderson.com

www.hendersondiversifiedincome.com

MANAGED BY
Janus Henderson
INVESTORS



aic
The Association of
Investment Companies



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