

**HENDERSON DIVERSIFIED INCOME TRUST PLC**  
**HALF YEAR REPORT**  
**(unaudited)**  
**for the period 23 February 2017 to 31 August 2017**

**Henderson Diversified Income Trust plc (the 'Company')**  
**Unaudited results for the period 23 February 2017 to 31 August 2017**

**Investment objective and policy**

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

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.

**Interim management report**

In accordance with Disclosure, Guidance and Transparency Rule 4.2.7 the Company has prepared this interim financial report for the period 23 February 2017 to 31 August 2017. A further interim management report for the period 23 February 2017 to 31 October 2017 will be released in December 2017 and a corresponding half year update will be posted to shareholders.

The Company was incorporated and registered in England and Wales on 23 February 2017 as a public company limited by shares under the Companies Act 2006 with registered number 10635799. The Company's year-end is 30 April. The Company acquired the assets and liabilities of Henderson Diversified Income Limited on 27 April 2017. Accordingly 182,193,240 ordinary shares of 1p each were admitted to trading on the Official List of the London Stock Exchange Main Market that same day. Consequently the Company did not hold any assets or earn any income prior to 27 April 2017. The unaudited results therefore principally reflect the period from 27 April 2017 to 31 August 2017.

**Share Issuance**

The Board has authority to allot up to 100 million New Shares, in aggregate, under the Share Issuance Programme detailed in the Company's Prospectus dated 3 March 2017.

In the period 23 February 2017 to 31 August 2017 the Company has issued a further 7,425,000 ordinary shares. As at 31 August 2017 the Company's issued share capital was 189,618,240 ordinary shares. Between 1 September 2017 and 17 October 2017, no new ordinary shares have been issued. The Company's issued share capital as at 17 October 2017 is therefore 189,618,240 ordinary shares.

**Dividends**

A dividend of 1.25p per ordinary share was paid by Henderson Diversified Income Limited (in liquidation) to shareholders of Henderson Diversified Income Limited on 30 June 2017 to members on its register as at 25 April 2017.

On 7 September 2017 the Company declared a first interim dividend payment of 1.25p per ordinary share that was paid to shareholders on 29 September 2017. This dividend was paid as an interest distribution for UK tax purposes.

## **Important events since the period end**

### *Dividend Rebasings*

On 7 September 2017 the Board announced its intention to rebase the dividend to no less than 1.10p per ordinary share on a quarterly basis, effective from the dividend payable in December 2017. This represents a reduction of 12 per cent. on the quarterly dividend and assumes that there is not a further significant fall in market yields. The shares will therefore provide a yield of 4.7 per cent. (based on the share price as at 6 September 2017). This dividend target takes into account the revenue benefits to the Company of the revised fee arrangements described below and the cost reductions arising from the re-domicile of the Company into the UK.

### *Amendment to Fee Arrangements*

The Board and the Manager undertook a formal review of the management fee arrangements in September 2017 and mutually concluded that a performance fee is no longer appropriate in this low yielding environment. With effect from 1 November 2017 the following fee arrangements will take effect:

1. The performance fee will be removed. The current 18 month performance period to 30 April 2018 will be truncated at 31 October 2017, the performance fee for this period will be calculated and any performance fee payable will be paid.
2. The base management fee will rise from 0.60 per cent. to 0.65 per cent. per annum of the Company's net assets.

The cap on total fees payable previously 1.2 per cent. per annum of net assets, will therefore effectively reduce to 0.65 per cent. per annum, the level of the revised management fee.

### *Cancellation of the Share Premium Account*

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

## **Principal risks and uncertainties**

Information on the Company's risk factors are set out on pages 13 to 19 of the Prospectus dated 3 March 2017. In summary the principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- General market risks associated with the Company's investments
- The Company's investments
- Interest rate and credit risks
- Investment management
- Dividends
- Borrowings
- Taxation

Further information on these risks and how they are managed are given in the Risk Factors Section on pages 13 to 19 of the Company's Prospectus dated 3 March 2017.

In the view of the Board these principal risks and uncertainties are as applicable to the remainder of the financial period ending on 30 April 2018 as they were to the period under review.

## **Related party transactions**

The Company's transactions with related parties in the period 23 February 2017 to 31 August 2017 were with its Directors, Janus Henderson Investors and Henderson Diversified Income (Luxembourg) S.à.r.l. (the 'subsidiary'). There have been no material transactions between the Company and its Directors during the period under review other than the amounts paid to the Directors in respect of fees. In relation to the provision of services by Janus Henderson Investors, other than fees payable by the Company in the ordinary course of business and the provision of sales and marketing services there have been no transactions with Janus

Henderson Investors affecting the financial position of the Company during the period 23 February 2017 to 31 August 2017.

**Statement of Directors' responsibilities**

The Directors confirm that, to the best of their knowledge:

- (a) The set of financial statements has been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting';
- (b) The Interim Management Report includes a fair review of the information required by Disclosure, Guidance and Transparency Rule 4.2.7R (indication of important events during the six month period and description of principal risks and uncertainties for the remaining period of the financial year); and
- (c) The Interim Management Report includes a fair review of the information required by Disclosure, Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**

**Angus Macpherson**

**Chairman**

**17 October 2017**

## Condensed Statement of Comprehensive Income

for the period from 23 February 2017 to 31 August 2017 (unaudited)

	<b>(Unaudited)</b>		
	<b>Period ended</b>		
	<b>31 August 2017</b>		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
	<b>return</b>	<b>return</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gains on investments held at fair value through profit or loss	-	5,907	5,907
Losses on foreign exchange transactions at fair value through profit or loss	-	(1,735)	(1,735)
Investment income	3,153	-	3,153
Other operating income	2	-	2
<b>Total income</b>	<b>3,155</b>	<b>4,172</b>	<b>7,327</b>
<b>Expenses</b>			
Management and performance fees	(612)	(612)	(1,208)
Other expenses	(187)	-	(187)
<b>Profit before finance costs and taxation</b>	<b>2,356</b>	<b>3,560</b>	<b>5,916</b>
Finance costs	(60)	(59)	(119)
<b>Profit before taxation</b>	<b>2,296</b>	<b>3,501</b>	<b>5,797</b>
Taxation	(3)	-	(3)
<b>Profit for the period</b>	<b>2,293</b>	<b>3,501</b>	<b>5,794</b>
<b>Earnings per ordinary share</b>	<b>1.23p</b>	<b>1.87p</b>	<b>3.10p</b>

The total columns of this statement represent the Statement of Comprehensive Income of the Company. All capital and revenue items derive from continuing operations. No operations were acquired or discontinued during the period. The Company has no recognised gains or losses other than those recognised in the Statement of Comprehensive Income.

The accompanying notes form an integral part of this condensed interim financial information.

**Condensed Statement of Changes in Equity**

for the period from 23 February 2017 to 31 August 2017 (unaudited)

	<b>(Unaudited)</b>				
	<b>Period ended</b>				
	<b>31 August 2017</b>				
	<b>Called-up share capital £'000</b>	<b>Share premium £'000</b>	<b>Capital reserve £'000</b>	<b>Revenue reserve £'000</b>	<b>Total £'000</b>
<b>Total equity at 23 February 2017</b>	-	-	-	-	-
<b>Total comprehensive income:</b>					
<b>Profit from ordinary activities after taxation</b>	-	-	<b>3,501</b>	<b>2,293</b>	<b>5,794</b>
<b>Transactions with owners recorded directly to equity:</b>					
<b>Dividends paid</b>	-	-	-	-	-
<b>Proceeds from issue of shares</b>	<b>1,896</b>	<b>166,319</b>	-	-	<b>168,215</b>
<b>Total equity at 31 August 2017</b>	<b>1,896</b>	<b>166,319</b>	<b>3,501</b>	<b>2,293</b>	<b>174,009</b>

The accompanying notes form an integral part of this condensed interim financial information.

**Condensed Statement of Financial Position**

for the period from 23 February 2017 to 31 August 2017 (unaudited)

	<b>(Unaudited)</b>
	<b>Period ended</b>
	<b>31 August</b>
	<b>2017</b>
	<b>£'000</b>
<hr/>	
<b>Non current assets</b>	
Investments designated as fair value through profit or loss	<b>196,694</b>
<b>Current assets</b>	
Other receivables	<b>6,774</b>
Cash and cash equivalents	<b>6,538</b>
<b>Total assets</b>	<b>210,006</b>
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<b>Current liabilities</b>	
Other payables	<b>(1,476)</b>
Bank loan (net of issue costs)	<b>(34,521)</b>
<b>Total assets less current liabilities</b>	<b>174,009</b>
<b>Non current liabilities</b>	<b>-</b>
<hr/>	
<b>Net assets</b>	<b>174,009</b>
<b>Equity attributable to equity shareholders</b>	
Called-up share capital	<b>1,896</b>
Share premium	<b>166,319</b>
Capital reserve	<b>3,501</b>
Revenue reserve	<b>2,293</b>
<b>Total equity</b>	<b>174,009</b>
<hr/>	
<b>Net asset value per ordinary share</b>	<b>91.77p</b>
(note 3)	

The accompanying notes form an integral part of this condensed interim financial information.

## Condensed Cash Flow Statement

for the period from 23 February 2017 to 31 August 2017 (unaudited)

	(Unaudited) Period ended 31 August 2017 £'000
<b>Operating activities</b>	
Net profit before tax	5,797
Interest payable	119
Gains on investments held at fair value through profit or loss	(5,907)
Losses on foreign exchange transactions at fair value through profit or loss	1,735
Payment on settlement of forward exchange contracts	(2,017)
Increase in prepayments and accrued income	(427)
Increase in other creditors	1,139
Purchases of investments	(63,615)
Sales of investments	53,447
<b>Net cash outflow from operating activities before finance costs</b>	<b>(9,729)</b>
Interest paid	(102)
Taxation on investment income	(3)
<b>Net cash outflow from operating activities</b>	<b>(9,834)</b>
<b>Financing activities</b>	
Issue of ordinary shares	6,869
Cash received from Henderson Diversified Income Limited	5,324
Issue costs	(433)
Net drawdown of loans	4,586
<b>Net cash inflow from financing</b>	<b>16,346</b>
<b>Increase in cash and cash equivalents</b>	<b>6,512</b>
Exchange movements	26
<b>Cash and cash equivalents at the end of the period</b>	<b>6,538</b>

The accompanying notes form an integral part of this condensed interim financial information.

## **Notes to the interim financial information:**

Henderson Diversified Income Trust plc (the 'Company') was incorporated on 23 February 2017.

On 26 April 2017, the Directors of its predecessor company, Henderson Diversified Income Limited (the 'Jersey Company'), placed the Jersey Company into a Jersey Summary Winding Up and transferred the shareholdings and assets and liabilities of the Jersey Company to Henderson Diversified Income Trust plc.

### **1. Accounting policies**

#### **a) Basis of preparation**

The interim accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The accounts have been prepared on a going concern basis and on the historical cost basis, except for the revaluation of certain financial instruments through profit and loss. The principal accounting policies adopted are set out below. Where consistent with IFRSs the financial statements have also been prepared in accordance with the guidance set out in the Statement of Recommended Practice ('SORP') for the Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued in November 2014 and updated in January 2017 with consequential amendments.

#### **b) Significant accounting judgements and estimates**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions.

#### **c) Investments designated at fair value through profit or loss**

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

The Company has a subsidiary, Henderson Diversified Income (Luxembourg) S.a.r.l. On the transfer of the assets and liabilities from the Jersey Company, the Company acquired beneficial ownership of

the investments held through the subsidiary. The accounts therefore recognise the income, assets and liabilities of the subsidiary as the Company's income, assets and liabilities.

#### **e) Income**

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

#### **f) 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 Income Statement and allocated to capital reserves. On the basis of the Board's expected long term split of returns equally between capital gains and income, the Company charges 50% of investment management fees, performance fees and finance costs to capital.

#### **g) Taxation**

The tax expense represents irrecoverable withholding tax suffered.

In Luxembourg the subsidiary suffers taxation on net gains on investments and on income.

#### **h) Foreign currency**

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

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

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

#### **i) 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.

#### **j) 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 and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

### **k) Segmental reporting**

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

### **l) Derivative financial instruments**

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

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

### **m) 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 following are accounted for in the "Realised capital reserves":

- Expenses and finance costs charged to capital;
- Gains and losses on the disposal of investments;
- Realised foreign exchange differences of a capital nature; and
- Costs of repurchasing ordinary share capital.

The following are accounted for in the "Unrealised capital reserves":

- Increases and decreases in the valuation of investments held at the period end; and
- Unrealised foreign exchange differences of a capital nature.

### **n) Distributable reserves**

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

### **o) 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.

## **2. Earnings per ordinary share**

The earnings per ordinary share figure is based on the net profit for the year after taxation of £5,794,000 and on 186,926,248 being the weighted average number of ordinary shares in issue during the period.

The earnings per ordinary share figure detailed above can be further analysed between revenue and capital, as below:

The Company has no securities in issue that could dilute the return per ordinary share. Therefore the basic and diluted earnings per ordinary share are the same.

	<b>(Unaudited)</b>
	<b>Period</b>
	<b>ended</b>
	<b>31 August</b>
	<b>2017</b>
	<b>£'000</b>
Net revenue profit	<b>2,293</b>
Net capital profit	<b>3,501</b>
<b>Net total profit</b>	<b>5,794</b>
Weighted average number of ordinary shares in issue during the period	<b>186,926,248</b>
Revenue earnings per ordinary share	<b>1.23p</b>
Capital earnings per ordinary share	<b>1.87p</b>
<b>Total earnings per ordinary share</b>	<b>3.10p</b>

### **3. 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 31 August 2017 of £174,009,000 and on 189,618,240 ordinary shares, being the number of ordinary shares in issue at 31 August 2017.

### **4. Share capital**

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

During the period to 31 August 2017, the Company issued a further 7,425,000 ordinary shares for proceeds of £6,869,000.

### **5. Dividends paid**

A dividend of 1.25p per ordinary share was paid to shareholders of Henderson Diversified Income Limited on 30 June 2017 to members on the register as at 25 April 2017 by Henderson Diversified Income Limited (in liquidation).

On 7 September 2017 the Company declared a first interim dividend payment of 1.25p per ordinary share that was paid to shareholders on 29 September 2017. This dividend was paid as an interest distribution for UK tax purposes from the Company's revenue account (1.00p) and its capital account (0.25p).

### **6. Financial instruments**

The table below sets out the fair value measurements using the IFRS 13 fair value hierarchy. 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: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The financial assets and liabilities measured at fair value in the Condensed Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 August 2017</b>				
<b>Financial assets at fair value through profit or loss:</b>				
<b>Investments</b>	169,641	27,053	-	196,694
<b>Credit default swaps</b>	-	744	-	744
<b>At 31 August 2017</b>	<b>169,641</b>	<b>27,797</b>	<b>-</b>	<b>197,438</b>
<b>Financial liabilities at fair value through profit or loss</b>				
<b>Currency forward exchange contracts</b>	-	(203)	-	(203)
<b>Total</b>	<b>169,641</b>	<b>27,594</b>	<b>-</b>	<b>197,235</b>

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

Valuation techniques used by the Company are explained in the accounting policies note.

There were no transfers to or from Level 3 during the period.

#### **7. Related party transactions**

During the period Directors' fees of £72,000 relating to the Company were paid. A further £2,500 was paid in fees to the Directors of the subsidiary.

#### **8. Subsequent events**

##### *Amendment to Fee Arrangements*

The Board and the Manager undertook a formal review of the management fee arrangements in September 2017 and mutually concluded that a performance fee is no longer appropriate in this low yielding environment. With effect from 1 November 2017 the following fee arrangements will take effect:

1. The performance fee will be removed. The current 18 month performance period to 30 April 2018 will be truncated at 31 October 2017, the performance fee for this period will be calculated and any performance fee payable will be paid.
2. The base management fee will rise from 0.60 per cent. to 0.65 per cent. per annum of the Company's net assets.

The cap on total fees payable previously 1.2 per cent. per annum of net assets, will therefore effectively reduce to 0.65 per cent. per annum, the level of the revised management fee.

##### *Cancellation of the Share Premium Account*

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

## 9. Going concern

Having reassessed the Company's risk factors as set out on pages 13 to 19 of the Prospectus dated 3 March 2017 the directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

## 10. General information

### a) *Company status*

Henderson Diversified Income Trust plc is a UK domiciled investment trust company which was incorporated on 23 February 2017. The Company number is 10635799. The Company is listed on the London Stock Exchange.

The ISIN/SEDOL number is GB00BF03YC36.

The London Stock Exchange code is HDIV.

The Company's Global Intermediary Identification Number (GIIN) is QR3G93.99999.SL.826.

The Company's LEI number is 213800RV2228EO1JEN02

### b) *Directors, Secretary and Registered Office*

The Directors of the Company are Angus Macpherson (Chairman), Ian Wright (Audit Committee Chairman), Roderick Davidson, Denise Hadgill and Stewart Wood. The Corporate Secretary is Henderson Secretarial Services Limited, represented by Hannah Gibson, ACIS. The registered office is 201 Bishopsgate, London EC2M 3AE.

### c) *Website*

Details of the Company's share price and net asset value, together with general information about the Company, monthly factsheets and data, copies of announcements, reports and details of general meetings can be found at [www.hendersondiversifiedincome.com](http://www.hendersondiversifiedincome.com).