

**HENDERSON DIVERSIFIED INCOME LIMITED**

**HALF-YEAR REPORT**

**(unaudited)**

**for the six months ended 30 April 2015**

# **HENDERSON DIVERSIFIED INCOME LIMITED**

## **Unaudited results for the half year ended 30 April 2015**

19 June 2015

This announcement contains regulated information.

### **Investment objective**

The Company's investment objective is to provide shareholders with a high level of income and capital growth over the longer term. The Company aims to deliver these outcomes by investing selectively across the full spectrum of fixed income asset classes including secured loans, high yield corporate bonds and investment grade corporate bonds.

### **Performance highlights for the six months to 30 April 2015**

- Net asset value ('NAV') total return<sup>1</sup> of 5.2% compared to a total return from the benchmark<sup>2</sup> of 1.3%.
- Share price total return (including dividends reinvested) of 5.9%.

### **Total return performance for the six months to 30 April 2015**

**(including dividends reinvested and excluding transaction costs)**

	6 months	1 year	3 years	5 years	Since launch
	%	%	%	%	%
NAV	5.2	7.5	36.5	47.1	54.1
Share price	5.9	7.9	36.3	63.4	55.2
Benchmark <sup>2</sup>	1.3	2.2	6.0	10.6	26.3

<sup>1</sup> Net asset value including dividends reinvested and excluding transaction costs

<sup>2</sup> The Company's benchmark is the total return over three month sterling Libor plus 2.00% (prior to 1 November 2014 the Company's benchmark was the total return over three month sterling Libor plus 1.25%)

Sources: Morningstar Funddata, Datastream and Henderson

# **HENDERSON DIVERSIFIED INCOME LIMITED**

Unaudited results for the half year ended 30 April 2015

## **Interim Management Report**

### **Chairman's Statement**

#### **Performance**

I am pleased to report another positive period for your Company with the net asset value total return per ordinary share for the six month period under review being 5.2% whilst the share price total return per ordinary share was 5.9%. This reflects a small increase in the premium to net asset value of the shares over the period from 2.7% to 3.5%. On a look through basis (i.e. including the net income from Henderson Diversified Income (Luxembourg) S.a.r.l (the 'subsidiary')) the income earnings per share was 2.61p compared to 2.69p at the prior period end.

#### **Dividends**

On 31 December 2014 a fourth interim dividend of 1.35p per ordinary share for the year ended 31 October 2014 was paid. A first interim dividend of 1.25p per ordinary share for the year ended 31 October 2015 was paid to shareholders on 31 March 2015 and a second interim dividend of 1.25p per ordinary share was declared on 26 May 2015 which will be paid on 30 June 2015 to shareholders on the register on 5 June 2015.

#### **Material events during the period**

Over the period under review your Board issued a total of 19,896,514 new ordinary shares for cash at a premium to net asset value. On 26 March 2015 your Company issued a Prospectus to issue up to 70m new shares in order to facilitate ongoing share issues. As at 19 June 2015 a further 940,000 shares have been issued since the period end. In making share issues your Board ensures that existing shareholders are not disadvantaged as all share issues are made at a premium to net asset value and the proceeds of the issue are invested at no less than the average yield on the portfolio.

The allocation to high yield and investment grade bonds increased over the period from 57% to 64% whilst the allocation to secured loans reduced from 37% to 28% reflecting the more attractive yields on bond investments at present. The modest allocation to equities moved from 6% to 8%.

The level of financial gearing increased over the period from 4.7% to 16.5% whilst synthetic gearing (through credit derivatives) reduced slightly from 8.3% to 6.0%. Since the period end both types of gearing have been marginally increased but well within the maximum combined limit of 30% of net assets. Gearing will continue to be actively managed with the aim of increasing returns for shareholders.

Following the issuance by the International Accounting Standards Board in December 2014 of Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28), IFRS 10 now states that investment entities should measure all of their subsidiaries that are themselves investment entities at fair value. As a result, the subsidiary through which certain investments are held, which was previously consolidated into the Company's financial statements, is now measured at fair value. This change has not affected the net assets, profit after tax or net assets per share of the Company but has resulted in certain presentational changes. The financial statements and notes for the comparative periods ended 30 April 2014 and 31 October 2014 have been restated applying the amended standard.

#### **Outlook**

Looking forward our priority continues to be to maintain the high level of income enjoyed by shareholders. With interest rates staying "lower for longer" our fund managers have found bonds to be more attractive than secured loans and this is likely to continue for the time being. However, given the indiscriminate nature of the demand for yield, credit selection is more important than ever and we shall continue to favour larger-sized bond issues over the smaller, more illiquid issues. Against that background, some volatility in bond markets must be expected over the coming months.

**Paul Manduca**  
**Chairman**  
**19 June 2015**

# **HENDERSON DIVERSIFIED INCOME LIMITED**

## **Unaudited results for the half year ended 30 April 2015**

### **Principal risks and uncertainties**

The principal risks and uncertainties associated with the Company's business can be divided into the following main areas:

- Investment strategy
- Market risk
- Accounting, legal and regulatory risk
- Operational risk
- Financial risk

Information on these risks and how they are managed is given in the Company's Annual Report to 31 October 2014. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

### **Related party transactions**

Other than the relationship between the Company, the subsidiary company, Henderson Diversified Income (Luxembourg) S.à.r.l and its Directors, the provision of services by Henderson are the only related party arrangements currently in place. Other than fees payable by the Company in the ordinary course of business there have been no material transactions with the Company's related parties affecting the financial position or performance of the Company during the half year.

### **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 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 six months of the year); and
- (c) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

**For and on behalf of the Board**  
**Paul Manduca**  
**Chairman**  
**19 June 2015**

# **HENDERSON DIVERSIFIED INCOME LIMITED**

## **Unaudited results for the half year ended 30 April 2015**

### **Fund Managers' Report**

#### **Introduction**

The Company's net asset value per ordinary share made good progress over the six months to 30 April 2015. This period, like so many, will be remembered for yet more Central Bank intervention in global bond markets.

The Company's shares continue to trade at a reasonable premium to net asset value, reflecting the lack of yield available to investors. As a result, the Company issued 19,896,514 new shares during the period and a further 940,000 new shares between 1 May 2015 and 19 June 2015 which should increase the liquidity of the shares in the secondary market and reduce the running costs of the Company per share, thereby benefitting existing shareholders.

A higher performance target of three month sterling Libor plus 2.00% came into effect from 1 November 2014 which we are pleased to say has been exceeded thus far.

#### **Markets**

The US Federal Reserve ended its quantitative easing ('QE') programme in late October 2014, when, ironically, the Japanese government announced a surprise addition to its QE programme. Rumours of a European Central Bank ('ECB') bond buying programme also began to circulate around this time. Towards the end of November 2014, results of the ECB stress tests were announced which were broadly in-line with expectations and helped most banking stocks continue their recovery. The theme of Central Banks passing the baton of QE is highly topical as it has had profound effects on currency advantages and hence economic growth differentials.

There have been two significant macro drivers over the period, the first being the considerable weakness of the oil price. In the framework of secular stagnation which we have spoken about before, it appeared that 'bad deflation' (a deficiency of demand in the global economy relative to supply) was to be overlaid with 'good deflation'. This was caused by the significantly lower oil price seemingly driven by increased supply from the Middle East, as a competitive response to the emerging growth of US shale gas, and reduced demand from China. Such a dramatic fall in the oil price will cause a re-distribution from producer to consumer. Understandably, oil producers have suffered, especially in the US where many high yield bonds have been issued to finance the shale gas capital expenditure boom. The surprise so far is that US consumers have yet to spend the windfall gains of the lower oil price and some early evidence would suggest such gains have been saved rather than spent. A weaker global economy and weaker oil price has caused a deflation pulse through global bond markets. Sovereign bonds made significant headway throughout the autumn into the Christmas period reflecting investor concerns about deflation and low growth in the Eurozone, with the market signalling to the ECB that further action was needed in order to prevent Europe following in the path of Japan's economy. German 10-year government bond yields breached the record lows of 1.13% of summer 2012, as deflation fears pervaded the Continent, and ended the calendar year at an extraordinary 0.54%.

The second macro driver with global influence has been the major weakness of the euro and corresponding strength of the US dollar. Highly efficient currency markets seemed to anticipate European QE, causing the euro to fall. Money supply data and economic activity was already picking up in Europe before QE was formally announced however some would argue European QE was five years too late. Germany, Ireland and Spain seem to be benefitting the most from the cheaper euro.

This growth pulse seems very positive but has not caused any inflation, given the significant output gaps, which again bond markets have enjoyed. German 10 year bond yields reached an extraordinary 0.05% in mid-April 2015 whilst some countries adopted negative short term interest rates.

Such a backdrop has also been positive for credit markets, particularly in February and March this year, as investors clamoured to buy longer dated bonds. However, in April the market experienced saturation from too much supply and US bond issuing companies tried to arbitrage the very cheap funding levels this side of the Atlantic. Indeed, many investors became so exposed to peripheral and longer dated bonds that it appeared to be a one way trade. Towards the end of the period under review, sovereign bond markets experienced a major positioning shake out around some illiquid bank holiday weekends.

## **HENDERSON DIVERSIFIED INCOME LIMITED**

### **Unaudited results for the half year ended 30 April 2015**

#### **Asset allocation and bond activity**

Over the period sovereign bonds and investment grade corporate bonds performed well given the deflationary backdrop. High yield bonds also performed well but often at different times to the more interest rate sensitive investment grade bonds. Loans lagged a little in comparison but achieved a reasonable return.

The longer dated investment grade financial and industrial bonds were the best performers and again the legacy tier 1 banking bonds were very reliable performers for the Company. As the Company grew as a result of share issuance, the Company purposely reduced its floating rate exposure (secured loans) in favour of fixed rate bonds and tried to reduce our exposure in loans denominated in euros in favour of sterling and US dollars. We are pleased with both of these results.

In November 2014 we added to long maturity insurance bonds where the Company held both Aviva and Friends Life bonds. Aviva's takeover of Friends Life caused these bonds and the sector to rally materially.

The Company also increased its holdings in long maturity bonds including Virgin Media on the expectation of further mobile/cable TV consolidation in Europe. The theme of European telecom convergence seems to be playing out even faster than anticipated. A reasonable position was bought in a new high yield deal - Siemens audiology - a global supplier of hearing aids. The business has a strong management team, reasonable market share and supportive demographics. Over the period the Company avoided a lot of the volatility in high yield bonds justifying its large-cap, non-cyclical strategy. More recently, the Company bought positions in Tesco, the AA (on refinancing existing bonds), Valeant, Unitymedia, Orange and Iron Mountain. The Company is significantly underweight in the energy, retail and food sectors as we continue to expect these to underperform.

#### **Secured loan portfolio**

The European secured loan market had a mixed six months to 30 April 2015. The market was 'soft' in the first three months in line with broader credit markets, before recovering in the latter three months to deliver a total return of 3.17% (as measured by the Credit Suisse Western European Leveraged Loan Index hedged to GBP).

High level of demand continues to be seen for this asset class although the level of new issuance has been lower than last year in both Europe and the US, in part reflecting the high level of refinancing undertaken at this time last year and relatively low levels of M&A activity in the market. As a consequence of this supply/demand imbalance, secondary prices in the market have been elevated and there has been a pick-up in re-pricing activity, with a number of borrowers approaching their lenders looking to reduce margins on their loans, typically being able to reduce the spreads by around 50 basis points.

We have continued to source attractive opportunities for the Company in both the primary and secondary loan markets and continue to be disciplined in making new investments. As a consequence of high demand there has been some further reduction in new issue coupons which now stand in the region of 4-5%.

New names added to the secured loans portfolio over the period include Evry (IT, Norway), Klockner Pentaplast (Packaging, Germany), Scout 24 (Services, Germany) and SIG Combibloc (Packaging, Switzerland). Given elevated secondary prices, we believe there is more value in primary issuance at present and have looked to enhance returns in the portfolio by selling positions trading at a premium to par and recycling the proceeds into new or lower priced issues, whilst maintaining the credit quality of the portfolio. Positions sold at a premium in the same period included Constantia Flexible (Packaging, Austria) and Intertrust (Financial Services, Netherlands).

## **HENDERSON DIVERSIFIED INCOME LIMITED**

**Unaudited results for the half year ended 30 April 2015**

### **Outlook**

The low default outlook for both the corporate bond and loan markets remains supportive for the Company's investment portfolio. Given our focus on lending to sub investment grade companies this will be the primary driver of capital returns in the long run. Volatility in government bond markets in recent weeks may yet spread to other areas of the corporate bond market given outflows from open ended bond funds. It provides a useful example of the dangers of investing in markets in which Central Banks encourage investors to herd into certain investments, regardless of valuation. We expect volatility to remain a feature of the investment landscape in coming months.

In the meantime we continue to position for our core strategy of sensible carry - that is holding large, 'reason to exist' and non-cyclical high yield businesses in industries such as cable TV, mobile phones, packaging and healthcare. In addition, we are finding good value opportunities in financial bonds as a result of the re-regulation of both the banking and insurance sectors. We expect yield (income) to be the dominant strategy in the future with limited opportunities for capital appreciation.

**John Pattullo & Jenna Barnard**  
**Fund Managers**  
**19 June 2015**

**HENDERSON DIVERSIFIED INCOME LIMITED**

Unaudited results for the half year ended 30 April 2015

**Summary of portfolio as at 30 April 2015**

	%
High yield bonds*	49
Secured loans	28
Investment grade bonds	15
Equities	8

\* does not include credit default swaps



## HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2015

### Top twenty investments as at 30 April 2015

Investment	Principal activities	Type of investment	Currency	Geographical area	Valuation £'000	% of portfolio
Axa	Insurance	Investment grade bonds	£	France	4,383	2.6
Lloyds Group	Diversified banking	High yield bonds	£	UK	4,183	2.5
Nationwide	Banks	Equities/High yield bonds	£	UK	4,012	2.4
Iglo Birds Eye	Food	Secured loans	£	UK	3,820	2.3
Virgin Media	Media	High yield bonds	£	UK	3,264	1.9
AA	Commercial services	High yield bonds	£	UK	3,238	1.9
RSA Insurance	Insurance	Investment grade bonds	£	UK	3,098	1.8
Orange	Telecommunications	Investment grade bonds	Euro	France	2,983	1.8
Iron Mountain	Commercial services	High yield bonds	£/US\$	US	2,981	1.8
Auris	Healthcare services	High yield bonds	Euro	Germany	2,945	1.7
Tesco	Food	High yield bonds	£	UK	2,692	1.6
CHS/Community Health	Healthcare services	High yield bonds	US\$	US	2,663	1.6
BUPA	Insurance	Investment grade bonds	£	UK	2,620	1.6
Aviva	Insurance	High yield bonds	£	UK	2,610	1.5
RAC	Commercial services	Secured loans	£	UK	2,533	1.5
HSBC	Banks	Investment grade bonds	£	UK	2,521	1.5
Scottish Widows	Insurance	Investment grade bonds	£	UK	2,511	1.5
Formula 1	Media	Secured loans	US\$	UK/Luxembourg	2,421	1.4
Arqiva	Media	High yield bonds	£	UK	2,237	1.3
Travelport	Travel services	Secured loans	US\$	US	2,235	1.3

These investments total £59,950,000 or 35.5% of the portfolio.

These investments reflect the holdings of both the Company and its subsidiary.

## HENDERSON DIVERSIFIED INCOME LIMITED

### Unaudited results for the half year ended 30 April 2015

#### Statement of Comprehensive Income

	(Unaudited) Half year ended 30 April 2015			(Unaudited and restated) Half year ended 30 April 2014			(Unaudited and restated) Year ended 31 October 2014		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains on investments designated as fair value through profit or loss	-	3,562	3,562	-	2,175	2,175	-	1,562	1,562
Gains on foreign exchange transactions	-	758	758	-	963	963	-	978	978
Investment income	3,157	-	3,157	1,824	-	1,824	4,434	-	4,434
Other income	767	-	767	989	-	989	1,902	-	1,902
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<b>Total income</b>	<b>3,924</b>	<b>4,320</b>	<b>8,244</b>	2,813	3,138	5,951	6,336	2,540	8,876
<b>Expenses</b>									
Management and performance fees	(252)	(1,152)	(1,404)	(177)	(1,229)	(1,406)	(393)	(1,238)	(1,631)
Other expenses	(224)	-	(224)	(202)	-	(202)	(443)	-	(443)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Profit before finance costs and taxation</b>	<b>3,448</b>	<b>3,168</b>	<b>6,616</b>	2,434	1,909	4,343	5,500	1,302	6,802
Finance costs	(51)	(52)	(103)	(30)	(30)	(60)	(78)	(78)	(156)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Profit before taxation</b>	<b>3,397</b>	<b>3,116</b>	<b>6,513</b>	2,404	1,879	4,283	5,422	1,224	6,646
Taxation	(9)	-	(9)	(4)	-	(4)	(67)	-	(67)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Profit for the period</b>	<b>3,388</b>	<b>3,116</b>	<b>6,504</b>	2,400	1,879	4,279	5,355	1,224	6,579
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Earnings per ordinary share</b> (note 3)	<b>2.26p</b>	<b>2.08p</b>	<b>4.34p</b>	2.29p	1.79p	4.09p	4.45p	1.02p	5.47p
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The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with IFRS. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

All income is attributable to the equity holders of Henderson Diversified Income Limited. There are no minority interests.

The Company does not have any income or expense that is not included in the profit for the period and therefore the 'profit for the period' is also the 'total comprehensive income for the period'.

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

## HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2015

### Statement of Changes in Equity

	(Unaudited) Half year ended 30 April 2015				
	Stated capital £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2014	87,847	39,862	705	(3,810)	124,604
<b>Total comprehensive income:</b>					
Profit for the period	-	-	3,116	3,388	6,504
Proceeds from issue of shares	18,139	-	-	-	18,139
Transactions with owners recorded directly to equity:					
Dividends paid (note 6)	-	-	-	(3,849)	(3,849)
At 30 April 2015	105,986	39,862	3,821	(4,271)	145,398

	(Unaudited and restated) Half year ended 30 April 2014				
	Stated capital £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2013	45,008	39,862	(519)	(3,462)	80,889
<b>Total comprehensive income:</b>					
Profit for the period	-	-	1,879	2,400	4,279
Proceeds from issue of shares	32,745	-	-	-	32,745
Transactions with owners recorded directly to equity:					
Dividends paid (note 6)	-	-	-	(2,346)	(2,346)
At 30 April 2014	77,753	39,862	1,360	(3,408)	115,567

	(Unaudited and restated) Year ended 31 October 2014				
	Stated capital £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 October 2013	45,008	39,862	(519)	(3,462)	80,889
<b>Total comprehensive income:</b>					
Profit for the year	-	-	1,224	5,355	6,579
Proceeds from issue of shares	42,839	-	-	-	42,839
Transactions with owners recorded directly to equity:					
Dividends paid (note 6)	-	-	-	(5,703)	(5,703)
At 31 October 2014	87,847	39,862	705	(3,810)	124,604

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

**HENDERSON DIVERSIFIED INCOME LIMITED**

Unaudited results for the half year ended 30 April 2015

**Balance Sheet**

	(Unaudited) 30 April 2015 £'000	(Unaudited and restated) 30 April 2014 £'000	(Unaudited and restated) 31 October 2014 £'000
<b>Non current assets</b>			
Investments designated as fair value through profit or loss	167,626	121,396	132,417
	-----	-----	-----
<b>Current assets</b>			
Other receivables	5,177	5,506	2,911
Cash and cash equivalents	881	305	482
	-----	-----	-----
	6,058	5,811	3,393
	-----	-----	-----
<b>Total assets</b>	173,684	127,207	135,810
	-----	-----	-----
<b>Current liabilities</b>			
Other payables	(2,436)	(4,598)	(1,249)
	-----	-----	-----
<b>Total assets less current liabilities</b>	171,248	122,609	134,561
	-----	-----	-----
<b>Non current liabilities</b>			
Bank loan (net of issue costs)	(25,850)	(7,042)	(9,957)
	-----	-----	-----
<b>Net assets</b>	145,398	115,567	124,604
	=====	=====	=====
<b>Capital and reserves</b>			
Stated capital	105,986	77,753	87,847
Distributable reserve	39,862	39,862	39,862
Retained earnings:			
Capital reserve	3,821	1,360	705
Revenue reserve	(4,271)	(3,408)	(3,810)
	-----	-----	-----
<b>Total equity</b>	145,398	115,567	124,604
	=====	=====	=====
<b>Net asset value per ordinary share</b> (note 4)	90.8p	89.4p	88.8p
	=====	=====	=====

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

## HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2015

### Cash Flow Statement

	(Unaudited) Half year ended 30 April 2015 £'000	(Unaudited and restated) Half year ended 30 April 2014 £'000	(Unaudited and restated Year ended 31 October 2014 £'000
Net profit before taxation	6,513	4,283	6,646
Add back interest paid	103	60	156
Less: gains on investments held at fair value through profit or loss	(3,562)	(2,175)	(1,562)
Less: gains on foreign exchange transactions at fair value through profit or loss	(758)	(963)	(978)
Increase in prepayments and accrued income	(733)	(706)	(641)
Increase in other payables	122	331	230
Net purchases of investments	(31,519)	(33,517)	(44,628)
(Increase)/decrease in sales settlement debtor	(1,005)	283	79
Increase/(decrease) in purchase settlement creditor	1,066	1,872	(1,377)
Amortisation of loan expenses	-	7	15
	-----	-----	-----
Net cash outflow from operating activities before finance costs	(29,773)	(30,525)	(42,060)
Interest paid	(103)	(60)	(156)
Taxation on investment income	(9)	(5)	(72)
	-----	-----	-----
<b>Net cash outflow from operating activities</b>	<b>(29,885)</b>	<b>(30,590)</b>	<b>(42,288)</b>
	-----	-----	-----
<b>Financing activities</b>			
Equity dividends paid	(3,849)	(2,346)	(5,703)
Proceeds from issue of shares	18,139	30,509	42,839
Drawdown of loan	15,893	1,336	4,242
	-----	-----	-----
<b>Net cash inflow from financing</b>	<b>30,183</b>	<b>29,499</b>	<b>41,378</b>
	-----	-----	-----
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>298</b>	<b>(1,091)</b>	<b>(910)</b>
Exchange movements	101	930	926
	-----	-----	-----
<b>Movement in cash and cash equivalents during the period</b>	<b>399</b>	<b>(161)</b>	<b>16</b>
Cash and cash equivalents at the start of the period	482	466	466
	-----	-----	-----
<b>Cash and cash equivalents at the end of the period</b>	<b>881</b>	<b>305</b>	<b>482</b>
	=====	=====	=====

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

## Notes to the interim financial information:

### 1. General information

The entity is a closed-ended company, registered as a no par value company under the Companies (Jersey) Law 1991, with its shares listed on the London Stock Exchange. The Company was incorporated on 5 June 2007.

### 2. Accounting policies: basis of preparation

Except as described below, this condensed interim financial information has been prepared using the same accounting policies as set out in the Company's Annual Report for the year ended 31 October 2014 and in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting.

The condensed interim financial information for the half years ended 30 April 2015 and 30 April 2014 has not been audited or reviewed by the Company's auditors.

The following changes in accounting policies are also expected to be reflected in the Company's Annual Report for the year ending 31 October 2015.

#### IFRS 10 Consolidated Financial Statements – Consolidation Relief for Investment Entities

The Company has adopted the Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27 (2012) (the 'Amendments')) with an initial application of 1 November 2013 as it meets the definition of an investment entity. As a result, the Company has changed its policy for accounting for its investment in the wholly-owned subsidiary, Henderson Diversified Income Luxembourg S.a.r.l. (the 'subsidiary'), to measure it as a financial asset at fair value through profit or loss. Accordingly, intercompany balances relating to the loan provided to the subsidiary and the Company's investment in the subsidiary have been measured at fair value through profit or loss. Assets and liabilities as well as revenue and expenses of the subsidiary are reflected in the fair value movement of the investment. Before adoption of the amendments as required under IFRS 10, the Company consolidated its subsidiary.

In accordance with the transitional provisions of the Amendments, the Company has applied the new accounting policy retrospectively and restated comparative information.

The impact of these changes on the Company's Balance Sheet is to decrease the value of the investments in the subsidiary at 30 April 2014 by £3,526,000 (31 October 2014: increased by £1,983,000), to decrease the cash by £286,000 (31 October 2014: £321,000), to decrease other receivables by £2,048,000 (31 October 2014: £2,961,000) and to decrease other payables by £5,860,000 (31 October 2014: £1,299,000).

The impact of these changes on the Company's Statement of Comprehensive Income is to decrease income from investments for the six months ended 30 April 2014 by £618,000 (31 October 2014: £1,349,000) and to increase the fair value movements of financial assets held at fair value through profit or loss for the six months ended 30 April 2014 by £618,000 (31 October 2014: £1,349,000). The change in accounting policy resulted, in aggregate, in no adjustment to the net assets attributable to holders of the Company's shares.

#### 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.

### 3. Earnings per ordinary share

The earnings per ordinary share is based on the net profit after taxation of £6,504,000 (30 April 2014: profit of £4,279,000; 31 October 2014: profit of £6,579,000) and on 149,940,241 ordinary shares (30 April 2014: 104,683,762 ordinary shares; 31 October 2014: 120,316,298 ordinary shares) being the weighted average number of ordinary shares in issue during each of the periods.

## HENDERSON DIVERSIFIED INCOME LIMITED

### Unaudited results for the half year ended 30 April 2015

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

	(Unaudited) Half year ended 30 April 2015 £'000	(Unaudited and restated) Half year ended 30 April 2014 £'000	(Unaudited and restated) Year ended 31 October 2014 £'000
Net revenue profit	3,388	2,400	5,355
Net capital profit	3,116	1,879	1,224
<b>Net total profit</b>	<b>6,504</b>	<b>4,279</b>	<b>6,579</b>
Weighted average number of ordinary shares in issue during the period	<b>149,940,241</b>	104,683,762	120,316,298
	<b>Pence</b>	Pence	Pence
Revenue earnings per ordinary share	<b>2.26</b>	2.29	4.45
Capital earnings per ordinary share	<b>2.08</b>	1.79	1.02
<b>Total earnings per ordinary share</b>	<b>4.34</b>	<b>4.09</b>	<b>5.47</b>

On a look through basis (i.e. including the income from the subsidiary as if it had been consolidated) the net revenue as at 30 April 2015 was £3,917,000 (30 April 2014: £3,018,000 and 31 October 2014: £6,704,000). The revenue earnings per share on this basis as at 30 April 2015 was 2.61p (30 April 2014: 2.88p and 31 October 2014: 5.57p).

#### 4. Net asset value per ordinary share

The basic net asset value per ordinary share is based on a net asset value of £145,398,000 (30 April 2014: £115,567,000; 31 October 2014: £124,604,000) and on 160,178,240 ordinary shares (30 April 2014: 115,567,000 ordinary shares; 31 October 2014: 140,281,726 ordinary shares) being the number of ordinary shares in issue at each period end.

#### 5. Share capital

During the half year ended 30 April 2015, 19,896,514 new ordinary shares were issued for total proceeds of £18,139,000 net of costs. No shares have been bought back. As at 30 April 2015 the Company's issued share capital was 160,178,240 ordinary shares. Between 1 May 2015 and 19 June 2015, a further 940,000 new ordinary shares have been issued. The Company's issued share capital as at 19 June 2015 was 161,118,240 ordinary shares.

#### 6. Dividends paid

The fourth interim dividend of 1.35p per share in respect of the year ended 31 October 2014 was paid on 31 December 2014.

A first interim dividend in respect of the year ending 31 October 2015 of 1.25p per share was paid on 31 March 2015. The second interim dividend of 1.25p per share was declared on 26 May 2015 and will be paid on 30 June 2015 to shareholders on the register on 5 June 2015. The shares were quoted ex-dividend on 4 June 2015. The cost of this dividend will be £2,002,228 based on 160,618,240 ordinary shares in issue on 5 June 2015.

#### 7. Financial instruments

At the period end the carrying value of financial assets and financial liabilities approximates their fair value.

#### Financial instruments carried at fair value

##### Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

## **HENDERSON DIVERSIFIED INCOME LIMITED**

### **Unaudited results for the half year ended 30 April 2015**

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

<b>Financial assets and financial liabilities at fair value through profit or loss at 30 April 2015</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Investments including derivatives:				
- Investments designated at fair value through profit or loss <sup>1</sup>	121,273	48,104	-	169,377
- Credit default swaps	-	884	-	884
- Forward exchange contracts	-	713	-	713
<b>Total financial assets and liabilities carried at fair value</b>	<b>121,273</b>	<b>49,701</b>	<b>-</b>	<b>170,974</b>

<sup>1</sup>These investments have been shown on a look through basis and reflect the investments of both the Company and its subsidiary.

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.

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

Level 1 – valued 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.

Included in Level 2 are forward exchange contracts which resulted in an unrealised gain of £713,000.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in the accounting policies note 2 (c) in the Company's Annual Report for the year ended 31 October 2014.

#### **8. Going concern**

The Directors are satisfied that at the time of approving these condensed financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for the foreseeable future.

The Directors therefore believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The assets of the Company consist mainly of securities that are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

#### **9. General information**

##### *a) Company objective*

The Company's investment objective is to provide shareholders with a high level of income, and capital growth over the longer term. The Company aims to deliver these outcomes by investing selectively across the full spectrum of fixed asset classes including secured loans, high yield corporate bonds and investment grade corporate bonds.

##### *b) Company status*



## **HENDERSON DIVERSIFIED INCOME LIMITED**

### **Unaudited results for the half year ended 30 April 2015**

Henderson Diversified Income Limited is a Jersey fund with its registered office at Liberté House, 19-23 La Motte Street, St Helier, Jersey, and is regulated by the Jersey Financial Services Commission.

The Company is a Jersey domiciled closed-end investment company, number 97669, which was incorporated in 2007 and which is listed on the London Stock Exchange. The ISIN number is JE00B1Y1NS49. The London Stock Exchange code is HDIV. The Company's Global Intermediary Identification Number (GIIN) is MAZ4WI.99999.SL.832.

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

The Directors of the Company are Paul Manduca (Chairman), Helen Green (Audit Committee Chairman), Nigel Parker and David Smith. The Corporate Secretary is BNP Paribas Securities Services S.C.A, Jersey Branch, represented by Jeremy Hamon. The registered office is Liberté House, 19-23 La Motte Street, St. Helier, Jersey JE2 4SY.

#### *d) Website*

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