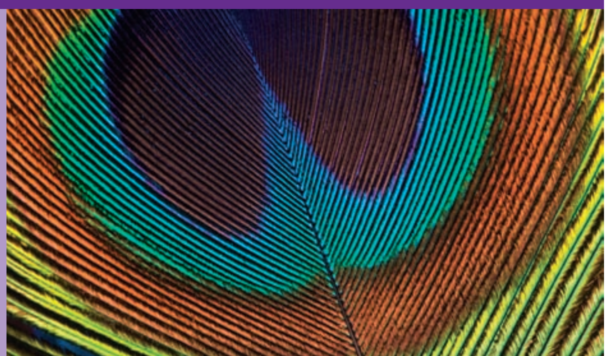
Henderson Diversified Income Limited

Report and Financial Statements for the period ended 31 October 2008



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.

The Manager is incentivised to provide shareholders with ongoing total returns of at least three month sterling LIBOR plus 1.25%.

History

Henderson Diversified Income Limited is a Jersey domiciled closed-ended investment company and was incorporated on 5 June 2007 and launched with £40.5 million of capital on 18 July 2007. It is listed on the main market of the London Stock Exchange. The Company has an indefinite life and has a single class of ordinary shares of no par value. Dividends are paid quarterly.

The Company raised an additional £38.4 million in a placing of new ordinary shares in May 2008.

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Financial Highlights

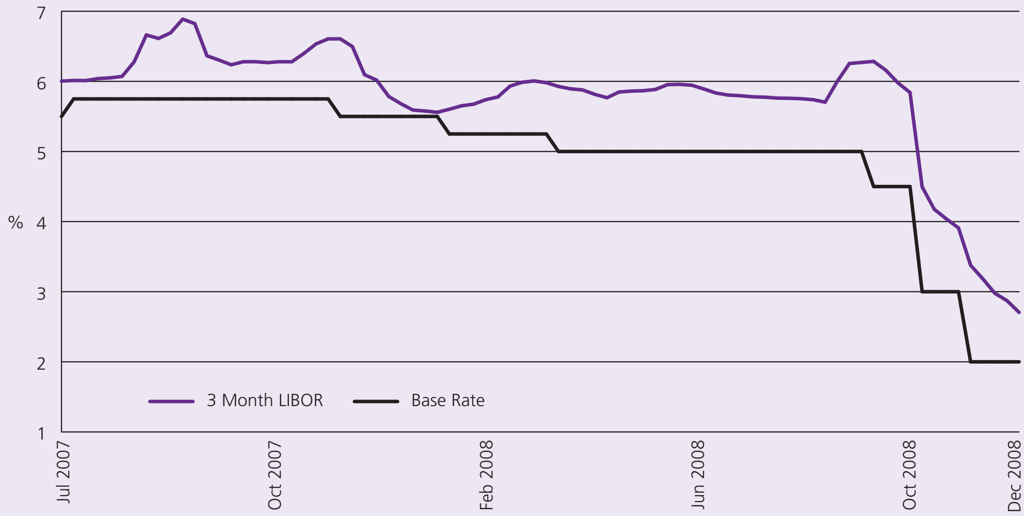
	31 October 2008 £'000	per ordinary share
Net asset value	**50,700**	**60.6p**
Market price	**–**	**68.0p**
Revenue earnings (based on weighted average number of shares)	**5,248**	**9.59p**
Dividends (paid and payable)	**5,202**	**9.65p**

Performance

	Period to 31 October 2008
Net asset value (total return)	**-34.5%**
Share price (total return)	**-27.2%**

Source: Fundamental Data.

Movement in 3-month LIBOR and UK Base Rates (from launch to 31 December 2008)



Source: Bloomberg

Directors

Paul Manduca (Chairman) is currently Chairman of Aon UK Limited and Senior Independent Director of Wm Morrison Supermarkets plc. He is also a director of Development Securities plc. KazMunaiGaz plc and JMF European Fledgling Investment Trust plc and other companies. Paul has extensive asset and investment management experience having worked as CEO for companies such as Threadneedle Asset Management, Rothschild Asset Management and Deutsche Asset Management in the UK and Europe starting from 1973. He holds a Master's degree from Oxford University (Modern Languages).

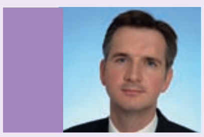
Helen Green is a chartered accountant and has been employed by Saffery Champness, a UK top 20 firm of chartered accountants, since 1984. She qualified as a chartered accountant in 1988 and became a partner in the London office in 1997. Since November 2000, she has been based in the Guernsey office where she is a client liaison director responsible for trust and company administration. Mrs Green serves on the boards of a number of companies in various jurisdictions.

Nigel Parker has over 35 years' experience in the Jersey finance industry and in 2004 he was appointed Chief Executive Officer of Gartmore Fund Managers International Limited. He has held a number of positions with Jersey trust companies but specialises in compliance and regulation. In 2002 he was appointed Head of European Compliance for the Gartmore Group with compliance responsibility for all offices, services and products within Europe. Mr Parker is a registered Trust and Estate Practitioner (TEP) and a former committee member of the Jersey Funds Association. He is a member of the Jersey Compliance Officers' Association. He serves on the boards of a number of companies in various jurisdictions.

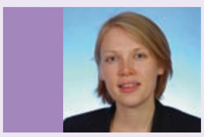
David Smith has spent his career in the financial services sector. He has worked in retail banking with National Westminster Bank, in unit trust sales for County Bank and fund management sales for Ivory & Sime. He became Marketing Director of Fleming Investment Trust Management in 1991, during a period of much increased interest in the investment trust sector, before returning to Jersey to help establish Flemings' private banking operations in Jersey. He was appointed Managing Director of Dexia Private Bank (formerly Banque International à Luxembourg) in Jersey in 1999 and has subsequently taken overall responsibility for all Dexia's operations in Jersey. Mr Smith is an Associate of the Chartered Institute of Bankers and a member of the Chartered Institute of Marketing.

All the Directors are non-executive and are members of the Audit Committee and Management Engagement Committee. Mrs Green chairs the Audit Committee. Mrs Green and Mr Parker are also directors of the Luxembourg subsidiary.

Management



John Pattullo



Jenna Barnard

The portfolio is managed by John Pattullo and Jenna Barnard.

Chairman's Statement

Paul Manduca

This is the first annual report for your Company and covers the period from incorporation in June 2007 to 31 October 2008. At the time of the launch in July 2007 we could not have predicted how challenging this first period would be, with unprecedented turbulence in the financial markets and major capital issues dominating the banking sector which has led to significant state intervention across the world. Against this background, I am pleased to report that we have exceeded our income target of 1.25% over three month LIBOR. Whilst capital performance has suffered, we believe this will begin to recover once the markets recognise that the perceived level of loan defaults is unrealistically pessimistic.

Performance

The net asset value per share fell to 60.6p at the period end in part as a consequence of the widening of the bid to offer spreads on our investments, particularly the secured loans, but principally due to falls in global markets. This means that the actual total return was less than the hurdle total return and therefore no performance fee is payable to our Manager.

The revenue return was, however, strong with net revenue after taxation for the period of £5.248 million, or 9.59p per share. This has enabled the Company to distribute dividends for the period totalling £5.202 million or 9.65p per share.

Dividends and Dividend Policy

A fifth interim dividend of 2.0p per share for the period to 31 October 2008 was paid on 31 December 2008. This means that in the fifteen month period under review, the Company has paid interim dividends totalling 9.65p per share, which is 0.9p per share over the projected dividend target of 8.75p for this first financial period, and 0.5p per share over the amount I indicated in my interim report for the six months to 30 April 2008.

Your Board has achieved, and remains committed to its objective of distributing income of not less than 1.25% over three month LIBOR. In that context, it is important to remember that LIBOR does go down as well as up and consequently your dividends amounts will go down as well as up. Since the end of the financial period on 31 October 2008, LIBOR has fallen from 5.84% to marginally over 2%, so the dividends are likely to fall this year.

Issue of New Shares

In May 2008 the Company was successful in raising an additional £38.4 million of capital and almost doubling its size. This has enabled the fixed costs of running the Company to be spread across a larger asset base and has improved the liquidity of the shares. In addition, it provided an opportunity to increase the proportion of assets held in fixed rate investment grade bonds and to reduce the gearing for a while.

Gearing

Your Board has in place facilities to allow it to borrow up to £15.5 million for periods of one, three or six months. £7.7 million was drawn down at the period end and this level of gearing has been broadly maintained throughout the period. Your Board keeps the level of gearing under constant review but has no current plans to increase it further.

Annual General Meeting

The Annual General Meeting will be held at 11.00am on 24 February 2009 in Jersey. In addition, shareholders are welcome to attend an open presentation to be held at Henderson's new offices at 201, Bishopsgate, London EC2M 3AE at 3.00pm on 2 March 2009, at which the Portfolio Managers will make a presentation and they and I will be happy to answer questions. If you would like to attend the London event then please return the yellow card which is enclosed with this report.

Outlook

We are currently living through the worst crisis in the credit and financial markets since 1929 and it is likely to have a way to go yet. That said markets such as these provide investors with opportunities and there can be no doubt that attractive returns can be achieved for those investors prepared to be patient. Given the fall in LIBOR since the period end and our belief that it and interest rates will fall yet further, we shall continue our efforts to lock in yield by switching from floating rate assets to fixed rate assets. The fall in LIBOR will reduce our income flow as our income target is directly linked to it. Consequently, shareholders should be prepared for a fall in dividends next year to reflect that reduction. On a positive note, I am hopeful that we shall see increased stability in financial markets over the coming year and that will help capital values to appreciate.

Paul Manduca
Chairman

19 January 2009

Investment Portfolio

as at 31 October 2008

Secured Loans

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

Secured loans are not listed, but are, in normal market conditions, readily bought and sold. In periods of market turbulence, however, the liquidity of the market for such investments may be reduced.

Investments by value	Market value £'000	% of portfolio
Almatis	1,560	2.68
LWB	1,523	2.61
Infonxx	1,390	2.38
Bausch & Lomb	1,327	2.28
AZ Electronics	1,226	2.10
Iglo Birdseye	1,203	2.06
Kabel BW	1,163	1.99
Weetabix	1,118	1.92
Orangina (Cadburys)	1,106	1.90
Doncaster	1,065	1.83
British Vita	1,055	1.81
Mölnlycke	1,052	1.80
ISS	1,030	1.77
Itron	1,016	1.74
XSYS Flint	977	1.68
Wheelabrator	942	1.62
Springer	910	1.56
TNT Logistics	897	1.54
Linpac	885	1.52
ISTA	875	1.50
Novasep	874	1.50
Xerium	861	1.48
VNU World Direct	840	1.44
Avio	826	1.42
Dometic	816	1.40
Brenntag	768	1.32
Dockwise	761	1.30
Smurfit Kappa	745	1.27
Travelport	723	1.24
Macquarie	716	1.23
New Look	694	1.19
La Seda de Barcelona	659	1.13
House of Fraser	615	1.05
Pages Jaunes	614	1.05
Yell	606	1.04
AVR	596	1.02
NTL	554	0.95
IMO	514	0.88
Gala Clubs	496	0.85
Materis	485	0.83
Trader Media	484	0.83
Kion	477	0.82
TDF	454	0.78
Deutsch	434	0.74
Amadeus	431	0.74
Lafarge Roofing	419	0.72
Kwikfit	390	0.67
Ineos	390	0.67
Numericable	381	0.65
McCarthy & Stone	105	0.18
Total Secured Loans	**40,048**	**68.68**

All of the above investments would in our view, if rated, be BB+ or lower.

Investment Portfolio

continued

Investment Grade Bonds

These bonds pay a higher rate of interest than gilts and 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 rating agency). This rating signifies that historically such bonds suffer relatively low rates of default.

Investments by value	Credit rating	Market value £'000	% of portfolio
Imperial Tobacco Finance	BBB-	1,492	2.56
BNP Paribas	AA-	1,037	1.78
HBOS	A	1,029	1.75
Lloyds TSB	A+	1,002	1.72
Barclays	A+	983	1.69
Royal Bank of Scotland	A	897	1.54
Linde Finance	BBB-	886	1.52
Old Mutual	BBB	798	1.37
HSBC	A+	745	1.28
Bank Of Ireland	AA-	709	1.21
Morgan Stanley	A	670	1.15
Standard Chartered Bank	A-	652	1.12
Firstgroup	BBB-	633	1.09
Royal & Sun Alliance	BBB	548	0.94
Société Générale	A	520	0.89
Man Group	BBB	505	0.87
Nationwide Building Society	A	298	0.51
Legal & General	A-	279	0.48
AXA	BBB+	275	0.47
Total Investment Grade Bonds		**13,958**	**23.94**

High Yield Bonds

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

Investments by value	Credit rating	Market value £'000	% of portfolio
HCA	CCC+	987	1.69
Kabel Deutschland	B	968	1.66
Nordic Tel Co	B	452	0.78
Wind Acquisition	B+	441	0.76
UPC	B-	416	0.71
Bombardier	BB	291	0.50
Virgin Media	B	214	0.37
Rhodia	BB-	154	0.26
Impress	BB-	139	0.24
Cognis	CCC+	114	0.20
Hertz	B+	65	0.11
Belvedere	DDD+	58	0.10
Total High Yield Bonds		**4,299**	**7.38**

Total Investments		**58,305**	**100.00**

Some of the above investment grade financial bonds trade as bonds but are considered perpetual, non step up preferred securities.

Rating is based on average rating of Moody's, Fitch, and Standard & Poor's. (Source: Henderson Global Investors).

Manager's Report

John Pattullo

Jenna Barnard

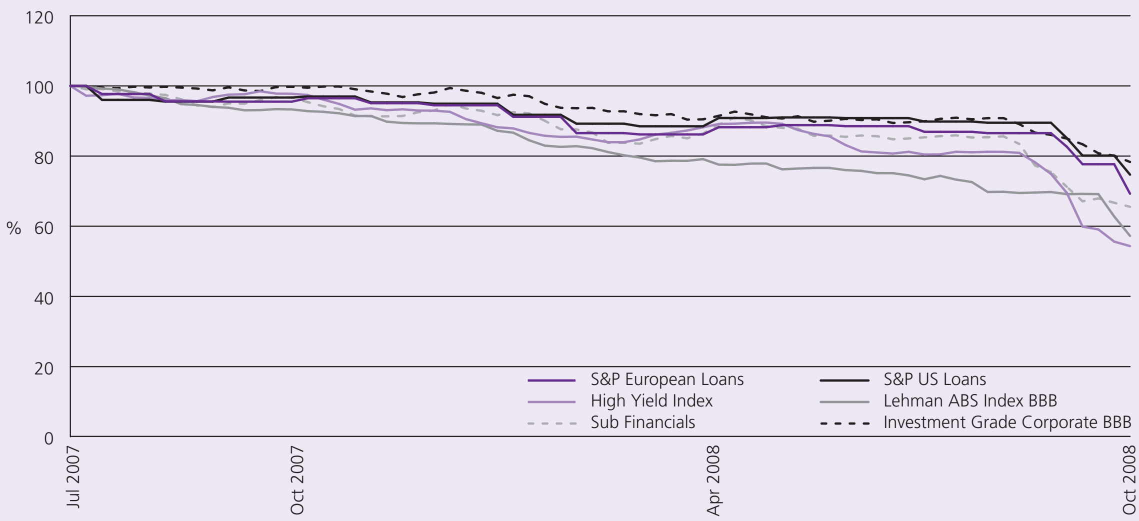
Market Overview

In retrospect it is clear that Henderson Diversified Income Limited was launched just prior to the most inauspicious credit market in modern history. Despite having sat on cash at the start of the current turmoil the Company has a mandate to invest in credit markets in order to achieve its LIBOR +125bps income target and this was duly done during August and September 2007. However the financial crisis which began in the summer of 2007 has not abated since but has instead developed into the most serious banking crisis in living memory, taking credit spreads to levels on a par with those of 1929.

In late May 2008, investor demand enabled the Company to successfully double in size. At the time, this felt like an opportune time to average into even cheaper assets and reduce the gearing. However, the post Bear Stearns (bought by JPMorgan) rally which was significant at the time faded by mid June, when the President of the ECB, Jean-Claude Trichet stated that European interest rates would need to rise to conquer inflation – commodity prices were on a march upwards, as witnessed by the oil price at US$150. The market did calm down in late summer, but the subsequent collapse of Lehman Brothers and resulting unprecedented collateral damage will have global ramifications for years to come.

At the time of the Company's launch there was an explicit acknowledgment that credit spreads were priced at slim premiums over corresponding government bonds. Consequently the Company's resulting focus was to provide investors with access to an alternative stream of income in credit markets which were not otherwise easily accessible. In particular the portfolio was allocated towards senior secured bank loans in the hope of weathering the coming storm whilst keeping the Company's leverage to a maximum of 20%. These strategies have had mixed results. The use of modest leverage has been prudent in an environment where more aggressive funds have experienced extreme distress; however, the senior loans have proved far less defensive a holding than originally anticipated for the reasons given below.

Total Return by Asset Class



Source: Credit Suisse, Lehman Brothers, Merrill Lynch

Manager's Report
continued

Performance

To begin it is worth reviewing the performance of the various asset classes within the credit markets in which the Company may invest. The chart depicts the price performance of the assets which were to have formed the core of the portfolio. What is clear is that there have been no investment safe havens for us.

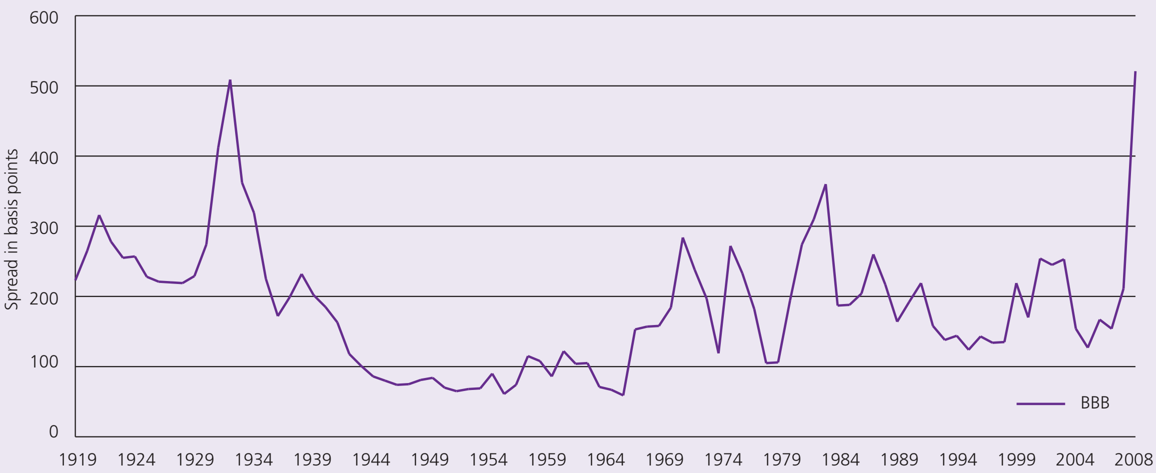
Asset backed securities have not been included in the portfolio to date and high yield bonds have been kept at a modest proportion of the assets. Nevertheless the holdings in loans and investment grade bonds have contributed to a material reduction in the net asset value of the Company over the course of the period from 98.3p to 60.6p as of 31 October 2008 (excluding the 7.65p paid out as income to August 2008). The overriding picture is one of severe price falls across asset classes with no area of the credit market immune from this trend. This also makes the current downturn somewhat different from previous ones where some shelter could usually be found in a diversified portfolio of credit assets.

Current valuations

Before reviewing the technical and fundamental factors which have driven credit markets to such extreme levels it is worth examining what the credit market is currently pricing in terms of corporate defaults and correspondingly, the economic outlook. Indeed one of the attractive aspects of credit markets is that using a current credit spread level and an assumed recovery rate on default, investors can then calculate the implied default rate on a portfolio of bonds or loans. In other words, at current trading levels how many defaults are investors being compensated for in their portfolio.

As of mid October 2008 the investment grade bond market was pricing in that cumulatively 23% of companies would default over the next five years (this analysis makes the conservative assumption of zero recovery of principal on default). To put this in context, this outcome would be ten times as bad as the worst five year period experienced since 1970. If we assume the average historic recovery of closer to 40% of principal the investment grade market is implying that an even higher figure of 38% of investment grade companies will default. For the loan market, using zero recovery of principal in a default, the market was pricing in that 46% of companies would default over the next five years. If the credit market is correct in these forecasts then investors should expect a re-run of the Great Depression. Given these levels of implied default rates it is safe to say that the assets in which the Company is invested are providing sufficient compensation for the risk of a severe recession. At this point the fundamental value available in credit markets is difficult for even the most bearish commentator to dispute.

US BBB Credit Spread



Source: Deutsche Bank

Manager’s Report
continued

At the current time the key issue is however not valuation but rather the extremely distressed and dislocated market conditions. Buyers of credit markets must be willing to hold them for a sustained period of time given the current illiquid markets for trading these securities. Although this is suitable for a closed ended vehicle such as Henderson Diversified Income it has proved more challenging for funds dealing with considerable redemption pressure, particularly where these funds have employed the aggressive use of leverage to enhance returns. Indeed, the use and subsequent withdrawal of leverage by the investor community itself can share a large part of the burden for driving prices down to such deeply distressed levels within credit markets. For the loan market this dynamic has proved to be particularly acute. A large proportion of the buyers of the European loan market in recent years can best be described as “non orthodox” investors. By this we mean buyers who employed complex strategies and purchased the loans by taking out borrowings of their own. The forced withdrawal of these investors as the market turned down has caused wave after wave of forced selling and wholescale portfolio liquidations. This has resulted in the extreme value opportunity which is currently available in the market but has also left investors in fragile mood, fearful of yet more selling.

Outlook

Looking to the future, given where credit markets are currently trading, it is not difficult to foresee equity-type returns from fixed income assets. Indeed, if one is a believer in mean reversion this would be the base case assumption. Nevertheless with the economic data deteriorating by the day and the default cycle only just picking up from historically low levels it is clear that credit markets will remain volatile for the foreseeable future. For investors willing to ride out this storm there exists a once in a generation value opportunity to be realised in coming months and years.

The Company targets a floating rate income stream of LIBOR plus 1.25% for its shareholders. At the time of launch this equated to a yield of approx. 7% and to August 2008 the company had already paid out 7.65p in dividends and will have paid out 9.65p in respect of the fifteen month period to 31 October 2008. The recent reductions in base rates means the target equated to approximately 4.02% at 31 December 2008 and this will continue to move in line with movements in LIBOR. With this in mind, the focus moving forward will be on locking in attractive fixed rate coupons from investment grade companies and reducing the proportion of floating rate assets in the Company. We have successfully used interest rate futures to make capital for shareholders by locking into fixed rate yields, and hence benefit from falling bond yields. As can be seen from note 14.3 on page 35 the interest rate sensitivity of the Company has been raised to 4.7 years as at 31 October 2008. The asset allocation of the Company should therefore be increasingly skewed towards longer dated, fixed rate corporates in the coming months.

John Pattullo
Jenna Barnard
Portfolio Managers
19 January 2009

Report of the Directors

The Directors present the audited accounts of the Group and their report for the period since incorporation on 5 June 2007 to 31 October 2008. The Group comprises Henderson Diversified Income Limited ('the Company') and its wholly owned subsidiary undertaking, Henderson Diversified Income (Luxembourg) s.à.r.l.. The Company commenced trading on the London Stock Exchange on 18 July 2007.

Status

The Company is registered with limited liability in Jersey as a closed-ended investment company under the Companies (Jersey) Law 1991 with registered number 97669. In addition, the Company constitutes and is certified as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. The Company has obtained a Fund Certificate under Article 7 of the Jersey Funds Law from the Jersey Financial Services Commission to operate as a Certified Fund within the Island of Jersey.

The Company is a member of the Association of Investment Companies ('AIC').

Individual Savings Accounts ('ISAs')

With effect from 6 April 2008:

- the annual ISA investment allowance has been increased to £7,200; and
- all existing PEP accounts have automatically become Stocks and Shares ISAs and are subject to ISA rules and regulations.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

Business Review

The following review is designed to provide information primarily about the Group's business and results for the period ended 31 October 2008 and covers:

a) Investment objective and policy;
b) Performance for the period;
c) Dividends;
d) Performance measurement and key performance indicators;
e) Management, administration and custody arrangements;
f) Related party transactions;
g) Continued appointment of the Manager;
h) Principal risks and uncertainties;
i) Bank facilities and gearing;
j) Share capital; and
k) Future developments.

A review of the investment activities for the period ended 31 October 2008 and the outlook for the coming financial year are given in the Manager's Report on pages 6 to 8.

a) Investment objective and policy

The Company's investment objective is to provide shareholders with a high level of income, capital growth over the long term and capital preservation over all periods.

The Company aims to deliver these investment outcomes for shareholders by investing selectively across the spectrum of fixed income asset classes; principally in secured loans, asset-backed securities, investment grade corporate bonds, and high yield corporate bonds, but also in unrated bonds, gilts, preference and selective high yield equity shares, hybrid securities, convertible bonds and floating rate notes.

The portfolio is not managed by reference to any benchmark save for an income target of 1.25% over sterling three month LIBOR. The composition of the portfolio is therefore not constrained by concepts such as the size, sector or national origin of the issuer. The Company may use credit derivatives (including credit default swaps) in addition to interest rate futures and interest rate swaps. Both the credit derivatives and the interest rate derivatives are used in order to take a synthetic exposure to 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 credit derivatives is capped at a maximum net long or short position of 30% of the Company's net assets. The interest rate exposure of the Company is currently managed in a range of between 0 and 8 years.

The Company may employ gearing to enhance investment returns but borrowings may not exceed 30% of net assets. At the end of the period the borrowings were 15.27% of net assets. Dividends of 7.65p per share were paid during the period under review, thereby exceeding the projection target initial annualised dividend yield of 7% (being 1.25% over sterling three month LIBOR at the time of launch). A fifth interim dividend of 2.0p per share was paid on 31 December 2008.

b) Performance for the period

Total net assets at 31 October 2008 amounted to £50.7 million and the net asset value per ordinary share was 60.6p.

Report of the Directors

continued

At 31 October 2008 there were 81 separate investments, as detailed in the Investment Portfolio on pages 4 and 5.

Group net revenue after taxation for the period was £5.248 million.

c) Dividends

It is the intention of the Company to make distributions in the form of quarterly dividends payable in March, June, September and December each year. The first interim dividend of 1.50p, for the period from the Company's launch to 31 October 2007 was paid on 31 December 2007. A second interim dividend of 1.75p in respect of the period ended 31 January 2008 was paid on 31 March 2008, and a third interim dividend of 3.40p in respect of the period ended 30 April 2008 was paid on 20 June 2008. A fourth interim of 1.00p in respect of the period ended 31 July 2008 was paid on 30 September 2008. A fifth interim of 2.00p per share in respect of the period ended 31 October 2008 was paid on 31 December 2008.

d) Performance measurement and key performance indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

- Returns and net asset value
  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value, income and share price for the Company. The Company does not have a formal benchmark.

- Discount/Premium to net asset value ('NAV')
  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant AIC sector.

  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 and since 1 June 2008 has included current financial year revenue; on the same basis as that calculated for the financial statements.

  The NAV excluding current financial year revenue is also published for historical cost comparison.

- Yield
  At each Board meeting, the Directors examine the Revenue forecast and consider yield on the portfolio and the amount available for distribution.

- Performance against other income funds
  The Board considers the performance of other income funds, at each Board meeting.

e) Management, administration and custody arrangements

Investment management services are provided to the Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ('Henderson') under a management agreement.

The management fee is calculated and paid quarterly in arrears at the rate of 0.75% per annum of the net chargeable assets of the Company. A performance fee is also payable in certain circumstances. This fee is calculated and payable at the end of the Company's financial year if the Company's total return in that year exceeds the hurdle return for the year at a rate of 15% of such excess subject to a cap of 1.75% of the Company's net assets in any financial year.

The management agreement may be terminated by either party, but in certain events the Company would be required to pay compensation to Henderson of 12 months' management charges. No compensation is payable if notice of termination of more than 12 months is given.

Administration services and the services of the Company Secretary are provided to the Company by BNP Paribas Fund Services Jersey Limited. BNP Paribas SA (Jersey Branch) acts as custodian to the Company's assets.

f) Related party transactions

The contracts with Henderson and BNP Paribas are the only related party transactions currently in place. There have been no material transactions with these related parties which have affected the financial position or performance of the Company in the financial period.

g) Continued appointment of the Manager

The Board reviews the performance of the investment manager (Manager) at each Board meeting. In the opinion of the Directors the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive

Report of the Directors

continued

investment management resources and wide experience in managing and administering investment companies.

h) Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions appropriate to the Company's investment objective and policy, in order to mitigate risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

Investment Strategy

An inappropriate investment strategy, for example, in terms of asset allocation or level of gearing, may result in under performance against the companies in the peer group, and also in the Company's shares trading on a wider discount. The Board manages these risks by ensuring a diversification of investments and a regular review of the extent of borrowings. The Manager operates in accordance with an investment limits and restrictions policy determined by the Board, which includes limits on the extent to which borrowings may be employed. The Board reviews the limits and restrictions on a regular basis and the Manager confirms adherence to them every month. The Manager provides the Board with management information, including performance data and reports and shareholder analyses. The Directors monitor the implementation and results of the investment process with the Portfolio Managers at each Board meeting and monitor risk factors in respect of the portfolio. Investment strategy is reviewed at each meeting.

Market

Market risk arises from uncertainty about the future prices of the Company's investments. This is commented on in Note 14 on pages 33 to 38.

Accounting, legal and regulatory

The Company must comply with the provisions of the Companies (Jersey) Law, 1991 and since its shares are listed on the London Stock Exchange, the UKLA's Listing and Disclosure Rules. A breach of company law could result in the Company and/or the Directors being fined or the subject of criminal proceedings and financial and reputational damage. A breach of the UKLA Rules could result in the suspension of the Company's shares. The Board relies on its Company Secretary and advisers to ensure adherence to company law and UKLA Rules.

Corporate Governance and shareholder relations

Details of the Company's compliance with corporate governance best practice, including information on shareholder relations, are set out in the Corporate Governance Statement on pages 15 to 18.

Operational

Disruption to, or the failure of, the Manager's or the Administrator's accounting, dealing, or payment systems or the Custodian's records could prevent the accurate reporting or monitoring of the Company's financial position. The Administrator, BNP Paribas Fund Services Jersey Limited sub-contracts some of the operational functions (principally relating to trade processing, investment administration and accounting) to BNP Paribas Fund Services UK Limited. Details of how the Board monitors the services provided by the Manager and other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement on page 18.

Financial

The financial risks faced by the Company include market price risk, interest rate risk, liability risk and credit risk. Further details are disclosed in Note 14 on pages 33 to 38. Disclosures are provided in accordance with IFRS 7, Financial Instruments: Disclosures.

i) Bank facilities and gearing

The Board has in place facilities which allow it to borrow up to £15.5 million for periods of one, two, three or six months. At 31 October 2008 the Group had drawn down £7.7 million. The facilities are subject to regular review. At 31 October 2008, the ratio of borrowings under the facilities to net assets was 15.3%.

j) Share capital

The Company's share capital comprises Ordinary shares of no par value. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's shares or voting rights and there are no shares which carry specific rights with regard to the control of the Company. The number of shares in issue at the start of the period was 40,500,000. On 23 May 2008, following a Placing, an additional 43,140,877 shares were allotted. Dealings in these shares commenced on 29 May 2008. At 31 October 2008 there were 83,640,877 shares in issue.

Report of the Directors
continued

k) Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined earlier. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement (on page 3) and the Manager's Report (on pages 6 to 8).

Directors

The names and biographies of the Directors holding office at the date of this report are listed on page 2.

The Articles of Association require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment and shall not remain in office longer than three years since their last election or re-election without submitting themselves for re-election. All the Directors were elected at the AGM held on 28 February 2008. The Articles also provide that one third of the Directors retire by rotation each year. Mrs Green offers herself for re-election at the forthcoming AGM. The Board considers that there is a balance of skills and experience within the Board and each of the Directors contributes effectively.

The Directors and their beneficial interests in the Ordinary shares of the Company at the start and end of the financial period are stated below:

	Ordinary Shares of no par value 31 October 2008	18 July 2007
Paul Manduca (Chairman)	75,000	50,000
Helen Green	–	–
Nigel Parker	–	–
David Smith	5,000	5,000

There have been no changes in the interests of the Directors since the period end.

No Director has a service contract with the Company.

Directors' Remuneration

A report on Directors' Remuneration is on page 19.

Directors have agreed letters of appointment with the Company. Copies are available for review by shareholders. There were no contracts subsisting during, or at the end of the period, in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' Indemnity

Directors' and officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgment is given in their favour by the Court.

Substantial Share Interests

Shareholder	% of voting rights
Cazenove Capital Management Ltd	17.75
Midas Capital plc	9.45
Brewin Dolphin Securities Ltd	8.42
Turcan Connell Solicitors & Asset Managers	8.30
Rensburg Sheppard Investment Management Ltd	8.00

Declarations of notifiable interests in the issued share capital of the Company, at 31 December 2008, are set out above.

In addition, the Board is aware that, at 31 December 2008, 1.52% of the issued share capital was held on behalf of participants in the Itshenderson share schemes and 5.53% on behalf of participants in other Henderson ISA schemes. These participants are given the opportunity to instruct the relevant nominee company to exercise their voting rights appertaining to their shares in respect of all general meetings of the Company. In accordance with the revised terms and conditions of Itshenderson, issued by Henderson recently, Henderson has stated that it will instruct the nominee company to exercise the voting rights of any shares held through Itshenderson that have not been exercised by the individual participants in Itshenderson. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Report of the Directors

continued

Annual General Meeting ('AGM')

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary Shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held in Jersey on 24 February 2009 at 11.00 am. The Notice of Meeting is set out on page 40.

The Directors intend to operate an active discount management policy through the use of share buy backs, if the shares were ever to trade at a substantial discount to net asset value for a significant period. Purchases of Ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per Ordinary share (as last calculated) where the Directors believe such purchases will enhance shareholder value and to assist in narrowing any discount to net asset value at which the Ordinary shares may trade. On 28 February 2008 the Directors were granted authority to repurchase 6,070,950 Ordinary shares for cancellation. This authority will expire at the forthcoming AGM. In Resolution 5, a Special Resolution, the Board is seeking authority to purchase up to a maximum of 12,537,767 Ordinary shares (representing 14.99% of the current issued share capital). The Directors do not intend to use this authority to purchase the Company's shares unless to do so would result in an increase in net asset value per share and would be in the interests of shareholders generally. The authority being sought shall expire at the conclusion of the Annual General Meeting in 2010 unless such authority is renewed prior to such time. In Resolution 6, a Special Resolution, the Board is seeking authority to hold up to 10% of the Company's own shares as treasury shares. Subject to the passing of Resolution 5, any Ordinary shares purchased under the authority given in Resolution 6 may be cancelled or held in treasury.

Recommendation

The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM.

Directors' Authority to Allot Relevant Securities

There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. Accordingly, the Articles of Association authorise the Directors to allot an unlimited number of Ordinary shares without pre-emption rights applying for shareholders. Ordinary shares will only be issued at a premium to the prevailing net asset value per Ordinary share and, therefore, will not be disadvantageous to existing shareholders. Any future issues of Ordinary shares will be carried out in accordance with the Listing Rules. During the period since launch, 43,140,877 new Ordinary shares have been issued.

Corporate Governance

A statement on Corporate Governance is on pages 15 to 18.

Creditor Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Directors do not consider any creditors to represent trade creditors.

Going Concern

After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Independent Auditors

Our auditors, Grant Thornton Limited, have indicated their willingness to remain in office. The Directors will place a Resolution before the Annual General Meeting to re-appoint them as independent auditors for the ensuing year, and to authorise the Directors to determine their remuneration.

On behalf of the Board
Director
19 January 2009

Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Jersey law and generally accepted accounting principles.

Jersey law requires the Directors to prepare, in accordance with generally accepted accounting principles, financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis; and
- specify which generally accepted accounting principles have been adopted in their preparation.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on a website maintained by the Company's Manager, Henderson Global Investors Limited in the United Kingdom. The maintenance and integrity of this website is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

Statement under Disclosure and Transparency Rules

The Directors, who are listed on page 2 of this Annual Report, each confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

(b) this Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

Helen Green
Director
19 January 2009

Corporate Governance

Background

The Board is accountable to shareholders for the governance of the Company's affairs. The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the revised Combined Code (the 'Code'). The Financial Reporting Council (the 'FRC') confirmed in February 2007 that it remained the view of the FRC that by following the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'), boards of investment companies should fully meet their obligations in relation to the Combined Code and the Listing Rules.

The Directors considered the principles and recommendations of the AIC Code of Corporate Governance ('AIC Code') by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Henderson Diversified Income Limited.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide the most appropriate information to shareholders.

There is no standard code of corporate governance in Jersey, where the Company is incorporated.

Application of the AIC Code's Principles and Statement of Compliance

The Board attaches importance to the matters set out in both the Code and the AIC Code and observes the relevant Main and Supporting Principles. It should be noted that, as an investment company, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

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

Senior independent director

A senior non-executive Director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

The role of the chief executive

Since all the Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a Chief Executive Officer.

Executive directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 19.

Internal audit function

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The Directors review annually whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

Board independence and composition

The Board currently consists of four non-executive directors. All are independent of the Company's Investment Manager.

All Directors consider that there are no factors which compromise the Directors' independence and that they all contribute to the affairs of the Company in an independent manner.

The Directors are conscious of the need to maintain continuity of the Board. The Board believes that retaining directors with sufficient experience of both the Company and its markets is of great benefit to shareholders and that the Directors have different qualities and areas of expertise on which they may lead where issues arise. Their biographies, set out on page 2, demonstrate a breadth of investment, commercial and professional experience with an international perspective.

Responsibilities

The Board meets at least four times each year and deals with the important aspects of the Company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Corporate Governance
continued

Representatives of the Investment Manager attend each Board meeting, enabling Directors to probe further on matters of concern or seek clarification on certain issues. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. The Directors have access to the advice and services of the Company Secretary, through its representative who is responsible to the Board for ensuring that Board procedures are followed.

The Board's tenure and succession policy will seek to ensure that the Board is well-balanced and refreshed regularly by the appointment of new directors with the skills and experience necessary, in particular, to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

The number of formal meetings during the period of the Board, Audit Committee and Management Engagement Committee, and the attendance of the individual Directors at those meetings, is shown in the following table.

Number of meetings in period	Board **5**	Audit Committee **2**	Management Engagement Committee **1**
Paul Manduca	5	2	1
Helen Green	5	2	1
Nigel Parker	4	2	1
David Smith	5	2	1

Directors' training
When a new Director is appointed, he or she will be offered a directors' introductory programme to be held by the Investment Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes in Directors' responsibilities are advised in advance.

Directors' appointment
In accordance with the Company's Articles of Association, all Directors stand for election at the first AGM following their appointment, and every Director is to stand for re-election at intervals of not more than three years.

Board Committees
The Board has established Audit and Management Engagement committees with defined terms of reference and duties.

Audit Committee
The Board has appointed an Audit Committee, which operates within clearly defined terms of reference and which comprises the entire Board. In summary, the Audit Committee's main functions are:

- to review and monitor the internal financial control systems and risk management systems on which the Company is reliant;
- to consider annually whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half year and annual financial statements of the Company by reviewing and challenging, where necessary, the actions and judgments of the Manager and the administrator;
- to meet, if required, with the Company's auditors to review their proposed audit programme of work and the findings of its auditors (the Audit Committee also uses this as an opportunity to assess the effectiveness of the audit process);
- to make recommendations to the Board in relation to the appointment of the Company's auditors and to approve the remuneration and terms of engagement of the Company's auditors; and
- to monitor and review annually the Company's auditors' independence, objectivity, effectiveness, resources and qualifications.

Mrs Green has been Chairman of the Audit Committee since 8 June 2007.

The Audit Committee has satisfied itself that Grant Thornton Limited, the Company's auditors, are independent.

Management Engagement Committee
The Management Engagement Committee comprises the entire Board and is responsible for ensuring that the Manager complies with the terms of the management agreement and that the provisions of that agreement follow industry practice and remain competitive and in the best interests of shareholders. This Committee is chaired by the Chairman of the Board.

Corporate Governance
continued

Performance Evaluation
The performance of the Company is considered in detail at each Board meeting. The Chairman will review each individual Director's contribution on an annual basis. The work of the Board as a whole and its committees will be reviewed annually. The Directors will also meet without the Chairman present in order to review his performance.

The Board considers that, in view of its non-executive nature, it is not appropriate for the Directors to be appointed for a specified term of more than three years as recommended by the Combined Code.

Directors' remuneration
The Board as a whole will consider Directors' remuneration and no separate remuneration committee has been appointed. As the Company is an investment company and all its Directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive Directors' remuneration. The Directors' fees are detailed in the Directors' Remuneration Report on page 19.

Relations with shareholders and nominee code
Shareholder relations are given high priority by the Board. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily calculation and publication at the London Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet.

General presentations to both shareholders and analysts follow the publication of the annual results. All meetings between the Investment Manager and shareholders are reported to the Board.

The Notice of the AGM on page 40 sets out the business of the meeting and the special resolutions are explained more fully in the Report of the Directors on pages 9 to 13. Separate resolutions are proposed for each substantive issue.

A summary of the proxy votes received on the resolutions proposed will be displayed at the meeting and will also be displayed on the Company's website.

It is the intention of the Board that the Annual Report and Notice of AGM be issued to shareholders so as to provide at least twenty working days' notice of the meeting. Shareholders wishing to lodge questions in advance of the meeting and specifically related to the resolutions proposed are invited to do so by writing to the Company Secretary at the address given on page 45.

Where shares are held in nominee companies, the Company undertakes to:

- provide to those nominee operators, who have indicated in advance a wish to receive them, copies of shareholder communications to distribute to their customers; and
- encourage nominee operators to advise investors that they are able to attend general meetings and to speak at meetings when invited to do so by the Chairman.

Investors in the Itshenderson plans receive all shareholder communications. A voting instruction form is also provided to facilitate voting at general meetings of the Company.

The Board considers that shareholders should be encouraged to attend and participate in the AGM. It is recognised, however, that few shareholders are able to travel to Jersey to attend the formal meeting, and as such a shareholder event will be held in London on 2 March 2009. Full details are set out on page 44. This will give shareholders the opportunity to meet the Chairman and to address questions to the Portfolio Managers who, as the representatives of the Manager, will make a presentation to shareholders.

Accountability and audit
The Statement of Directors' Responsibilities in respect of the financial statements is set out on page 14. The Independent Auditors' Report is set out on page 20. The Board has delegated contractually to external agencies, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the day to day company secretarial, administration and accounting services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers reports regularly from the Investment Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman

Corporate Governance
continued

or one of the other Directors attends gatherings of all the chairmen of the investment trusts and investment companies managed by the Investment Manager, which is a forum to discuss issues of common interest, and he reports back to the Board.

The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Investment Manager's compliance and business risk department on an ongoing basis.

Continued appointment of the Investment Manager
The Board reviews the performance of the Investment Manager. In the opinion of the Directors, the continued appointment of the current Investment Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Investment Manager has extensive investment management resources and wide experience in managing and administering investment companies.

Internal controls
The Board has established an ongoing process for identifying, evaluating and managing any major risks faced by the Company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 (the 'Turnbull Guidance') which was revised by the Financial Reporting Council in October 2005. The process was fully in place throughout the period ended 31 October 2008 and up to the date of the approval of this report. In addition the Board conducted its annual review of the effectiveness of the Company's system of internal control, covering all the controls, including financial, operational and compliance controls and risk management. This review took into account points raised during the period in the Board's regular appraisal of specific areas of risk.

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to monitor its system of internal control in order to provide assurance that it operates as intended and the Directors will review from time to time whether a function equivalent to an internal audit is needed.

The Board received during the period from the Investment Manager a report on its internal controls (an AAF01/06 Report) which includes a report from the Investment Manager's auditors on the controls and procedures in operation. The Board also received a similar report from the Administrator. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the Company and its key suppliers.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the Company's business risks and these were analysed and recorded in a risk map. The Board receives each quarter from the Investment Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Investment Manager, and which reports the details of any known internal control failures.

Statement of compliance
The Directors consider that the Company has complied throughout the period ended 31 October 2008 with all the relevant provisions set out in the Code except as described above. The Company is compliant with the AIC Code.

Directors' Remuneration Report

This report meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration. A resolution to receive and approve this report will be proposed at the AGM.

Consideration by the Directors of matters relating to Directors' remuneration

As the Board is comprised entirely of non-executive Directors the Board as a whole consider the Directors' remuneration. The Board has not been provided with advice or services by any outside person in respect of its consideration of the Directors' remuneration although the Directors will review the fees paid to the boards of directors of similar investment companies.

Statement of the Company's policy on Directors' remuneration

The Board consists entirely of non-executive Directors who meet regularly to deal with the important aspects of the Company's affairs. Directors are appointed with the expectation that they will initially serve for a period of three years. Directors' appointments will be reviewed formally every three years thereafter by the Board as a whole. Each of the Directors has a letter of appointment and a Director may resign by giving notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. There are no long term incentive schemes provided by the Company and the fees are not specifically related to the Directors' performance, or the share price. Each Director will stand for re-election every three years.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles and more time spent. The Company's Articles of Association limit the aggregate fees payable to the Directors to £200,000 per annum. In the period under review, the Directors' fees were paid at the following annual rates: the Chairman £30,000; the Chairman of the Audit Committee £22,000; the other Directors £17,500.

Directors' and officers' liability insurance cover is in place in respect of the Directors.

Directors' fees and expenses

The fees payable by the Company in respect of each of the Directors who served during the period from appointment on 5 June 2007 to 31 October 2008, were as follows:

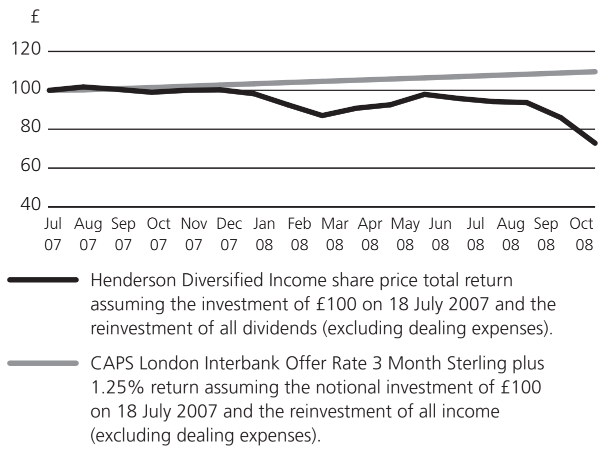
	Period 5 June 2007 to 31 October 2008 £'000
Paul Manduca (Chairman and highest paid director)	42
Helen Green	31
Nigel Parker	24
David Smith	24
Total	121

Mrs Green's fees are paid to Saffery Champness.

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

The graph below illustrates the total shareholder return as compared to the absolute return objective of 1.25% over three month sterling LIBOR for the period from launch on 18 July 2007 to 31 October 2008.

Share price performance graph



Sources: Fundamental Data and IMSE

For and on behalf of the Board

Director

19 January 2009

Report of the Independent Auditors to the members of Henderson Diversified Income Limited

We have audited the consolidated and parent company financial statements ('the financial statements') of Henderson Diversified Income Limited for the period ended 31 October 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. 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 auditors' 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.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law, as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman's Statement, the Manager's Report, the Report of the Directors, Corporate Governance Statement, the Directors' Remuneration Report, the Notice of Meeting and Investor Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group and Company's affairs as at 31 October 2008 and of the Group's results for the period then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Grant Thornton Limited
Channel Islands
19 January 2009

The financial statements are published on websites maintained by the Company's Manager, Henderson Global Investors Limited ('Henderson').

The maintenance and integrity of these websites are the responsibility of 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.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

for the period 5 June 2007 to 31 October 2008

Notes		Period 5 June 2007 to 31 October 2008 Revenue return £'000	Capital return £'000	Total £'000
11	Losses on investments held at fair value through profit or loss	–	(22,083)	(22,083)
	Losses on foreign exchange transactions	–	(6,091)	(6,091)
3	Investment income	5,027	–	5,027
4	Other income	1,252	–	1,252
	Total income	6,279	(28,174)	(21,895)
	Expenses			
5	Management fee	(236)	(236)	(472)
6	Other expenses	(652)	–	(652)
	Profit/(loss) before finance costs and taxation	5,391	(28,410)	(23,019)
7	Finance costs	(117)	(117)	(234)
	Profit/(loss) before taxation	5,274	(28,527)	(23,253)
8	Taxation	(26)	–	(26)
	Profit/(loss) for the period	5,248	(28,527)	(23,279)
9	**Earnings/(loss) per ordinary share**	9.59p	(52.15)p	(42.56)p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The revenue return and capital return 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 notes on pages 25 to 39 form an integral part of these financial statements

Consolidated and Parent Company Statement of Changes in Equity

for the period 5 June 2007 to 31 October 2008

Note	Consolidated period 5 June 2007 to 31 October 2008	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Opening balance	–	–	–	–	–
	Issue of shares	78,917	–	–	–	78,917
	Share issue costs	(1,408)	–	–	–	(1,408)
	Transfer to distributable reserve	(39,832)	39,832	–	–	–
	Net (loss)/profit from ordinary activities after taxation	–	–	(28,527)	5,248	(23,279)
10	**Ordinary dividends paid**	–	–	–	(3,530)	(3,530)
	At 31 October 2008	37,677	39,832	(28,527)	1,718	50,700

Note	Company period 5 June 2007 to 31 October 2008	Stated capital £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Opening balance	–	–	–	–	–
	Issue of shares	78,917	–	–	–	78,917
	Share issue costs	(1,408)	–	–	–	(1,408)
	Transfer to distributable reserve	(39,832)	39,832	–	–	–
	Net (loss)/profit from ordinary activities after taxation	–	–	(24,792)	1,513	(23,279)
10	**Ordinary dividends paid**	–	–	–	(3,530)	(3,530)
	At 31 October 2008	37,677	39,832	(24,792)	(2,017)	50,700

The notes on pages 25 to 39 form an integral part of these financial statements

Consolidated and Parent Company Balance Sheet

at 31 October 2008

Notes		Consolidated 2008 £'000	Company 2008 £'000
	Non current assets		
11	Investments held at fair value through profit or loss	**58,305**	**18,257**
	Current assets		
12	Other receivables	**4,097**	**40,701**
	Cash and cash equivalents	**947**	**546**
		5,044	**41,247**
	Total assets	**63,349**	**59,504**
	Current liabilities		
13	Other payables	**(12,649)**	**(8,804)**
	Net assets	**50,700**	**50,700**
	Equity attributable to equity shareholders		
15	Stated capital	**37,677**	**37,677**
16	Distributable reserve	**39,832**	**39,832**
	Retained earnings:		
17	Capital reserves	**(28,527)**	**(24,792)**
	Revenue reserve	**1,718**	**(2,017)**
	Total equity	**50,700**	**50,700**
18	**Net asset value per ordinary share**	**60.6p**	**60.6p**

The financial statements were approved by the Board of Directors and authorised for issue on 19 January 2009 and were signed on its behalf by:

Helen Foster Green
Director

Nigel Robert Parker
Director

The notes on pages 25 to 39 form an integral part of these financial statements

Consolidated and Company Cash Flow Statement

for the period 5 June 2007 to 31 October 2008

	Consolidated Period 5 June 2007 to 31 October 2008 £'000	Company Period 5 June 2007 to 31 October 2008 £'000
Net loss before tax	**(23,253)**	**(23,279)**
Add back interest paid	**234**	**228**
Add: losses on investments held at fair value through profit or loss	**28,174**	**24,442**
Less: exchange movements on forward exchange contracts taken to revenue	**(435)**	**(127)**
Increase in prepayments and accrued income	**(1,092)**	**(607)**
Increase in other receivables	**(144)**	**(144)**
Increase in other payables	**455**	**383**
Net purchases of investments	**(80,699)**	**(24,930)**
Increase in sales settlement debtor	**(2,285)**	**–**
Increase in purchase settlement creditor	**2,665**	**12**
Net cash outflow from operating activities before finance costs	**(76,380)**	**(24,022)**
Interest paid	**(234)**	**(228)**
Taxation on investment income	**(50)**	**–**
Net cash outflow from operating activities	**(76,664)**	**(24,250)**
Financing activities		
Equity dividends paid	**(3,530)**	**(3,530)**
Issue of ordinary shares	**78,917**	**78,917**
Issue expenses paid	**(1,408)**	**(1,408)**
Drawdown of loan	**7,810**	**7,810**
Amounts paid to subsidiary undertaking	**–**	**(55,813)**
Net cash inflow from financing	**81,789**	**25,976**
Increase in cash and cash equivalents	**5,125**	**1,726**
Exchange movements	**(4,178)**	**(1,180)**
Cash and cash equivalents at the period end	**947**	**546**

The notes on pages 25 to 39 form an integral part of these financial statements

Notes to the Financial Statements

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. Accordingly, the accounting period runs from 5 June 2007 to 31 October 2008, and there are no comparative figures for prior periods.

2 Accounting policies

a Basis of preparation

This consolidated financial information for the period ended 31 October 2008 has been prepared in accordance with International Financial Reporting Standards ('IFRS'). 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 International Accounting Standards Committee ('IASC') that remain in effect, to the extent that IFRS have been adopted by the European Union.

The principal accounting policies adopted are set out below. Where consistent with IFRS the financial statements have also been prepared in accordance with the guidance set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies ('AIC') as revised in December 2005.

The Company has adopted the following new and revised accounting standards during the period:

- International Accounting Standard No. 1 (Revised): Presentation of financial statements
- International Financial Reporting Standard No. 7, Financial Instruments: Disclosures.

(i) Standards, amendments and interpretations becoming effective in the period to 31 October 2008:

- IFRS 7 *Financial Instruments: Disclosure*, and the complementary amendment to *IAS 1 Presentation of Financial Statements – Capital Disclosures*, introduces new disclosures relating to financial instruments. It does not have any impact on the classification and/or valuation of the Group's or Company's financial instruments. The additional disclosures in accordance with the standard are set out in Note 14 to the financial statements.
- International Financial Reporting Interpretations Committee ('IFRIC') 10 *Interim Financial Reporting and Impairment* prohibits impairment losses recognised in an interim period on goodwill or investments to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group or Company's financial statements.

(ii) Standards, amendments and interpretations becoming effective in the period to 31 October 2008 but not relevant to the Group or Company:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service concession arrangements'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

The Directors do not anticipate the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

(iii) Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted by the Group or Company:

- IAS 23 (Amendment) *Borrowing costs* (effective for financial years beginning on or after 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group has no qualifying assets but expects to apply the standard from 1 November 2009 if it becomes applicable.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

- IFRS 8 *Operating segments* (effective for financial years beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segmental reporting with the requirements of the US standard SFAS 131 *Disclosures about segments of an enterprise and related information*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group expects to apply IFRS 8 from 1 November 2009. The new statement may result in additional disclosures.

b Basis of consolidation

The consolidated financial information comprises the financial information of Henderson Diversified Income Limited ('the Company') and its subsidiary undertaking, Henderson Diversified Income (Luxembourg) s.à.r.l. ('the Subsidiary').

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised as assets, are eliminated in full.

The Subsidiary is fully consolidated from the date of inception, being the date on which the Group obtained control, and will continue to be consolidated until the date that such control ceases.

c Investments held at fair value through profit or loss

All investments are designated upon initial recognition as held at fair value through profit or loss. Assets are de-recognised at the trade date of the disposal. Proceeds will be measured at fair value, which will be 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 balance sheet date, without deduction of the estimated future selling costs. Unquoted investments are valued based on the latest available information. The investment in the subsidiary undertaking is valued at net asset value.

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

d Income

Income from fixed interest securities is recognised using the effective interest rate method. Bank interest and premia on credit default swaps are recognised on an accruals basis within the revenue return column of the Consolidated Income Statement. 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 over the life of the contract.

e Expenses

All administration expenses and interest payable are accounted for on an accruals basis. Expenses which are incidental to the purchase or sale of an investment are charged to the capital column of the Consolidated 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 and finance costs to capital.

f Taxation

Under Article 123A of the Income Tax (Jersey) Law 1961, as amended, the Company has obtained Jersey exempt company status for the period and is therefore exempt from Jersey income tax on non-Jersey source income and bank interest (by concession). A £600 annual exempt company fee is payable by the Company. The Company plans to maintain this status for as long as it is available pending the introduction of the general zero rate of corporation tax which will be introduced on 1 January 2009.

Notes to the Financial Statements

continued

2 Accounting policies (continued)

g Foreign currency

For the purposes of the consolidated financial information, the results and financial position of each entity is expressed in pounds sterling, which is the functional currency of the Company and the presentational currency of the Group. Sterling is the functional currency because it is the currency of the primary economic environment in which the Group operates. The Company is a closed-ended investment company, incorporated in Jersey, with its shares listed on the London Stock Exchange. 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 balance sheet date are translated into sterling at the exchange rates ruling at that date.

h Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, 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 charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Consolidated Income Statement 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.

j Segmental reporting

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

k Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in market prices, foreign currency exchange rates and interest rates. Derivative transactions which the Company may enter into include forward foreign exchange contracts (the purpose of which is to manage currency risk arising from the Company's investing activities) and interest rate futures and swaps (the purpose of which is to take a position in relation to government bond yields). The Company may also use credit derivatives, for example buying or selling credit default swaps in order to manage credit risk.

The use of financial derivatives is governed by the Group's policies as approved by the Board, which has set written principles for the use of financial derivatives.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Consolidated Income Statement.

Notes to the Financial Statements

continued

3 Investment income	Period 5 June 2007 to 31 October 2008 £'000
Income from investments:	
Bond and loan interest	**4,949**
Premiums on credit default swaps	**78**
	5,027

4 Other income	Period 5 June 2007 to 31 October 2008 £'000
Bank and other interest	**817**
Interest income from forward exchange contracts	**435**
	1,252

5 Management fee	Period 5 June 2007 to 31 October 2008 Revenue return £'000	Capital return £'000	Total £'000
Investment management fee	**236**	**236**	**472**

A summary of the terms of the management agreement is given in the Report of the Directors on page 10.

6 Other expenses	Period 5 June 2007 to 31 October 2008 £'000
Directors' fees† (see the Directors' Remuneration Report on page 19)	**134**
Auditors' remuneration* (including £5,000 relating to the subsidiary):	
– statutory audit	**30**
– interim accounts review	**4**
Bank and custody charges	**98**
Advisory and consultancy fees	**55**
Administration and Company Secretarial services	**226**
Registrar's fees	**26**
Stock exchange fees	**18**
Printing and stationery	**20**
Other expenses	**41**
	652

*In addition £65,000 of non-audit fees have been paid to Grant Thornton UK LLP as reporting accountants in connection with the share issues and have been deducted from stated capital together with the share issue expenses.

†Includes £13,000 paid to the directors of the Luxembourg subsidiary.

Notes to the Financial Statements

continued

7 Finance costs	Period 5 June 2007 to 31 October 2008 Revenue return £'000	Capital return £'000	Total £'000
	117	**117**	**234**

8 Taxation	Period 5 June 2007 to 31 October 2008 Revenue return £'000	Capital return £'000	Total £'000
The taxation charge for the period is comprised of the following:			
Foreign withholding tax suffered	**50**	**–**	**50**
Less: foreign tax recoverable	**(50)**	**–**	**(50)**
Luxembourg tax	**26**	**–**	**26**
	26	**–**	**26**

The taxation on profit differs from the theoretical expense that would apply on the Company's profit before taxation using the applicable tax rate in Jersey of 20% as follows:

	Period 5 June 2007 to 31 October 2008 £'000
Loss before taxation	**(23,253)**
Theoretical taxation expense at 20%	**(4,651)**
Tax effect of:	
– Jersey exempt tax relief	**4,651**
– Luxembourg tax	**26**
Tax charge for the period	**26**

9 Earnings/(loss) per ordinary share

The loss per ordinary share figure is based on the net loss for the period after taxation of £23.279 million and on 54,697,104 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 overleaf.

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.

Notes to the Financial Statements

continued

9	**Earnings/(loss) per ordinary share** (continued)	**Period 5 June 2007 to 31 October 2008 £'000**
	Net revenue gain	**5,248**
	Net capital loss	**(28,527)**
	Net total loss	**(23,279)**
	Weighted average number of ordinary shares in issue during the period	**54,697,104**
	Revenue earnings per ordinary share	**9.59p**
	Capital loss per ordinary share	**(52.15)p**
	Total loss per ordinary share	**(42.56)p**

10	**Dividends**	**Period 5 June 2007 to 31 October 2008 £'000**
	The following dividends were paid in respect of the period 5 June 2007 to 31 October 2008:	
	First interim paid 2007 – 1.50p	**608**
	Second interim paid 2008 – 1.75p	**709**
	Third interim paid 2008 – 3.40p	**1,377**
	Fourth interim paid 2008 – 1.00p	**836**
		3,530

The fifth interim dividend has not been included as a liability in these financial statements as it was announced and paid after 31 October 2008.

The table below sets out the total dividends paid and to be paid in respect of the financial period. The revenue available for distribution by way of dividend for the period is £5.248 million.

	Period 5 June 2007 to 31 October 2008 £'000
First interim dividend – 1.50p	**608**
Second interim dividend – 1.75p	**709**
Third interim dividend – 3.40p	**1,377**
Fourth interim dividend – 1.00p	**836**
Fifth interim dividend – 2.00p	**1,672**
	5,202

Notes to the Financial Statements

continued

11 Investments held at fair value through profit or loss	**Period 5 June 2007 to 31 October 2008** Listed £'000	Unlisted £'000	Total £'000
a Consolidated			
Opening book cost	–	–	–
Movements in the period:			
Purchases at cost	58,445	65,260	123,705
Sales – proceeds	(33,767)	(9,483)	(43,250)
– realised losses on sales	(442)	(1,080)	(1,522)
Movement in unrealised depreciation	(5,979)	(14,649)	(20,628)
Closing valuation at 31 October 2008	18,257	40,048	58,305

	Listed Investments £'000	Subsidiary Undertaking £'000	Total £'000
b Company			
Opening book cost	–	–	–
Movements in the period:			
Purchases at cost	58,445	8	58,453
Sales – proceeds	(33,767)	–	(33,767)
– realised losses on sales	(442)	–	(442)
Movement in unrealised depreciation	(5,979)	(8)	(5,987)
Closing valuation at 31 October 2008	18,257	–	18,257

	Period 5 June 2007 to 31 October 2008 £'000
c Losses on investments held at fair value	
Realised losses on sales of investments	(1,522)
Increase in unrealised depreciation	(20,628)
Unrealised gain on future contracts	154
Unrealised loss on credit default swaps	(87)
	(22,083)

Notes to the Financial Statements

continued

11 Investments held at fair value through profit or loss (continued)

d Transaction costs

During the period expenses amounting to £1,000 were incurred in acquiring or disposing of investments classified as at fair value through profit or loss. These have been expensed through capital and are included within gains on investments held at fair value through profit or loss in the Consolidated Income Statement.

e Subsidiary undertaking

The Company has an investment in the issued share capital in its wholly owned limited liability subsidiary undertaking, Henderson Diversified Income (Luxembourg) s.à.r.l.. This is a limited liability company, registered under the laws of the Grand Duchy of Luxembourg and was incorporated on 1 August 2007. In addition, the Company has made a loan to the subsidiary undertaking of £58.419 million. After providing for the net deficit in the subsidiary of £18.995 million the loan has been written down to £39.424 million.

12 Other receivables

	Consolidated 2008 £'000	Company 2008 £'000
Amounts due from brokers	**2,285**	**–**
Intercompany account	**–**	**39,424**
Prepayments and accrued income	**1,092**	**607**
Withholding tax recoverable	**50**	**–**
Unrealised gain on futures contracts	**154**	**154**
Unrealised gain on credit default swaps	**372**	**372**
Other receivables	**144**	**144**
	4,097	**40,701**

13 Other payables

	Consolidated 2008 £'000	Company 2008 £'000
Amounts due to brokers	**2,665**	**12**
Bank loan	**7,741**	**7,741**
Taxation payable	**26**	**–**
Unrealised loss on credit default swaps	**215**	**215**
Unrealised loss on forward exchange contracts	**1,547**	**453**
Other payables	**455**	**383**
	12,649	**8,804**

Notes to the Financial Statements

continued

14 Risk Management policies and procedures

The Company is a closed-ended investment company investing in fixed interest investments for the long term so as to secure its investment objective. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These risks, market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk, and the Directors' approach to the management of them, are set out below. The Company Secretary, in close co-operation with the Board of Directors and the Investment Manager, (Henderson Global Investors Limited) co-ordinates the Company's risk management.

The objectives, policies and processes for managing the risks, and the methods used to manage the risks, that are set out below, are unchanged from those included in the prospectus of the Company dated 15 June 2007.

14.1 Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see note 14.2), interest rate risk (see note 14.3) and other price risk (see note 14.4). The Board of Directors reviews and agrees policies for managing these risks. The Investment Manager 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.

14.2 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 in which it reports its results). As a result, movements in exchange rates may affect the sterling value of those items.

Management of the risk

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

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

Foreign currency exposure

The currency exposure of the Company's monetary items at 31 October 2008 is shown below.

	US$ £'000	Euro £'000
Investments at fair value through profit or loss that are monetary items	**8,483**	**28,050**
Receivables (due from brokers, dividends and other income receivable)	**101**	**2,761**
Cash at bank and on deposit	**213**	**402**
Payables (due to brokers, accruals and other creditors)	**(3)**	**(2,676)**
Borrowings under multi currency loan facility	**(848)**	**(6,093)**
Forward currency sales	**(8,171)**	**(24,183)**
Credit default swaps	**(13)**	**170**
Gains on futures contracts	**13**	**152**
Total net foreign exposure	**(225)**	**(1,417)**

Foreign currency sensitivity

The majority of foreign currency assets and liabilities are hedged by the Investment Manager back to sterling using forward currency contracts. In the opinion of the Directors, this strategy means the Company's income and equity is not materially sensitive to changes in exchange rates.

14.3 Interest rate risk

Interest rate movements may affect:

– the fair value of fixed interest securities (bonds, loans and interest rate futures)

– the level of income receivable from fixed interest securities and cash at bank and on deposit

– the interest payable on the Company's variable rate borrowings

Management of the risk

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

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

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

There were no interest rate hedges in place at 31 October 2008.

Interest rate exposure

The exposure at 31 October 2008 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

– fixed interest rates – when the financial instrument is due for repayment

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.3 Interest rate risk (continued)

	2008 Within one year £'000	One to five years £'000	More than five years £'000	Total £'000
Exposure to floating interest rates:				
Investments held at fair value through profit or loss	**41,142**	**–**	**–**	**41,142**
Cash at bank	**947**	**–**	**–**	**947**
Bank loan	**(7,741)**	**–**	**–**	**(7,741)**
	34,348	**–**	**–**	**34,348**
Exposure to fixed interest rates:				
Investments held at fair value through profit or loss	**–**	**2,554**	**14,609**	**17,163**
	–	**2,554**	**14,609**	**17,163**
Total exposure to interest rates	**34,348**	**2,554**	**14,609**	**51,511**

At 31 October 2008, the Company had gross nominal exposure to interest rate futures to the value of £18.766 million.

The interest rate futures used were a combination of a long risk position in the gilt (UK government bond) future, a long risk position in the Bobl (five year German government bond) future and a short position in the ten year Treasury future.

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
- The weighted average effective interest rate of the Company's investments is 7.5%

Interest rate sensitivity

The Company's portfolio at 31 October 2008 was valued at £58.305 million and it has a modified duration (interest rate sensitivity) of approximately 4.7 years. A 100 basis point change in short term interest rates (up or down), which is mirrored by an equivalent change in long term rates, would be expected to decrease or increase this portfolio's value by approximately £2.693 million all other factors being equal.

14.4 Other price risk

In addition to foreign currency and interest rate risk, the Company is also exposed to other price risk due to short term market price changes and default risk. A 10% increase or decrease in market prices would increase or decrease net profit after tax and shareholders' funds by £5.787 million (equivalent to an increase or decrease in Net Asset Value per share of 11.4%).

14.5 Liquidity risk

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

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.5 Liquidity risk (continued)

Management of the risk

Liquidity risk is monitored by the Manager 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, can 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 multi-currency loan facility of £15.5 million, of which £7.741 million was drawn down at 31 October 2008. This facility is subject to regular review.

The Board gives guidance to the Manager 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 31 October, based on the earliest date on which payment can be required was as follows:

31 October 2008	**3 months or less £'000**	**More than 3 months, less than one year £'000**	**More than one year £'000**	**Total £'000**
Current liabilities				
Forward currency deals	**1,547**	**–**	**–**	**1,547**
Unrealised loss on credit default swaps	**–**	**–**	**215**	**215**
Amounts due to brokers, accruals and tax payable	**3,120**	**26**	**–**	**3,146**
Bank Loan	**7,741**	**–**	**–**	**7,741**
	12,408	**26**	**215**	**12,649**

The Company also has exposure of £9.383 million in respect of credit default swaps where protection has been sold.

14.6 Credit risk

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

Management of the risk

The risk is significant, and is managed as follows:

- where the Investment Manager 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. The credit ratings of each investment can be found on pages 4 and 5;
- investments in bonds and loans are made across a variety of industry sectors and geographical markets, so as to avoid concentrations of credit risk. At 31 October 2008 none of the investments were past due or impaired;
- 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 the Investment Manager, 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.

Notes to the Financial Statements

continued

14 Risk Management policies and procedures (continued)

14.6 Credit risk (continued)

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

To the extent that the credit derivative exposure is not covered by cash held by the Company then any net long exposure would act as synthetic gearing. Credit default swaps are used by the Manager for two purposes. By selling protection (going long risk) the Manager 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 31 October 2008, the gross exposure to single name credit default swaps and ITRAXX indices was £5.331 million and £4.052 million respectively.

By contrast the Manager 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 31 October 2008 the gross exposure was £3.554 million.

None of the Company's financial assets have been pledged as collateral.

14.7 Fair values of financial assets and financial liabilities

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

Current assets and current liabilities: forward currency sales are valued on the basis of exchange rates for a similar contract for the same residual duration, as provided by the counterparty. The amount of change in fair value for such forward exchange contracts recognised in the Consolidated Income Statement for the period was a loss of £4.186 million. The forward currency transactions serve to hedge back the value of Euro and US Dollar denominated securities to sterling, the base currency of the Company.

Credit default swaps are fair valued. The amount of change in fair value recognised in the Consolidated Income Statement for the period for credit default swaps was a loss of £0.135 million.

14.8 Capital management policies and procedures

The Company's capital management objectives are:

– to ensure that it will be able to continue as a going concern, 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 20% of equity.

The Company had borrowings totalling £7.741 million at 31 October 2008.

The Board with the assistance of the Manager 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 Manager's 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 (ie the level of share price discount or premium);

Notes to the Financial Statements
continued

14.8 Capital management policies and procedures (continued)

- the need for new issues of equity shares; 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:

- Under the multi currency facility, any borrowings are not to exceed 20% of adjusted net assets as defined under the loan agreement.

The Company has complied with these requirements during the period.

15 Stated capital	Stated Capital £'000	Number of fully paid shares issued
18 July 2007: Issue of shares	**40,500**	40,500,000
Share issue costs	**(668)**	–
Transfer to distributable reserves	**(39,832)**	–
23 May 2008: Issue of shares	**38,417**	43,140,877
Share issue costs	**(740)**	–
Balance at 31 October 2008	**37,677**	**83,640,877**

On 18 July 2007 the Company issued 40,500,000 Ordinary shares of no par value for consideration value of £40.5 million, incurring £0.668 million of issue expenses. On 5 October 2007, in accordance with Jersey Company Law, the Company successfully applied for a reduction in the stated capital account and the creation of a distributable reserve. On 23 May 2008 the Company issued a further 43,140,877 Ordinary shares in the Company for a consideration value of £38.417 million incurring £0.74 million of issue expenses.

16 Distributable reserve	Consolidated and Company 2008 £'000
Opening balance	–
Transfer from stated capital (see Note 15)	**39,832**
At 31 October 2008	**39,832**

17 Capital reserves	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Total capital reserves £'000
a Consolidated			
At launch	**–**	**–**	**–**
Unrealised gain on futures contracts	**–**	**154**	**154**
Exchange losses	**(4,544)**	**(1,547)**	**(6,091)**
Movement in unrealised depreciation	**–**	**(20,628)**	**(20,628)**
Loss on investments	**(1,522)**	**–**	**(1,522)**
Costs charged to capital	**(353)**	**–**	**(353)**
Unrealised loss on credit default swaps	**–**	**(87)**	**(87)**
At 31 October 2008	**(6,419)**	**(22,108)**	**(28,527)**

Notes to the Financial Statements

continued

17 Capital reserves (continued)	**Capital reserve – realised £'000**	**Capital reserve – unrealised £'000**	**Total capital reserves £'000**
b Company			
At launch	**–**	**–**	**–**
Unrealised gain on futures contracts	**–**	**154**	**154**
Exchange losses	**(1,238)**	**(453)**	**(1,691)**
Movement in unrealised depreciation	**–**	**(5,987)**	**(5,987)**
Provision for subsidiary	**–**	**(16,389)**	**(16,389)**
Loss on investments	**(442)**	**–**	**(442)**
Costs charged to capital	**(350)**	**–**	**(350)**
Unrealised gain on credit default swaps	**–**	**(87)**	**(87)**
At 31 October 2008	**(2,030)**	**(22,762)**	**(24,792)**

18 Net asset value per ordinary share

The net asset value per ordinary share is based on the net asset value attributable to ordinary shareholders at the period end of £50.700 million and on 83,640,877 ordinary shares, being the number of ordinary shares in issue at the period end.

19 Contingent liabilities

There were contingent liabilities in respect of credit default swaps of £9.383 million as at 31 October 2008.

20 Transactions with the Manager

Under the terms of an agreement dated 15 June 2007, as amended, the Company has appointed wholly owned subsidiary companies of Henderson Global Investors Limited ('Henderson') to provide investment management services.

Details of the fee arrangements for these services are given in the Report of the Directors on page 10. The total of the fees paid or payable under this agreement to Henderson in respect of the period ended 31 October 2008 was £472,000 of which £175,000 was outstanding at 31 October 2008.

Notice of Meeting

Notice is hereby given that the second Annual General Meeting of Henderson Diversified Income Limited will be held at **Liberte House, 19-23 La Motte Street, St. Helier, Jersey, JE2 4SY on Tuesday 24 February 2009 at 11.00 am** for the following purposes:

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:

1 To receive the Report of the Directors and financial statements for the period ended 31 October 2008, together with the auditors' report thereon.

2 To approve the Directors' Remuneration Report.

3 To re-elect Mrs Helen Green as a Director.

4 To re-appoint Grant Thornton Limited as independent auditors and to authorise the Directors to agree their remuneration.

Special Business

As special business, to consider the following Resolutions, which will be proposed as Special Resolutions;

5 THAT, the Company be and is hereby generally and unconditionally authorised to make market purchases on a stock exchange of, and to cancel or (subject to Resolution 6) hold as treasury shares, Ordinary shares of no par value in the capital of the Company ('shares'), provided that:

(a) the maximum number of shares hereby authorised to be purchased is 14.99 per cent. of the issued share capital of the Company as at the date of the passing of this Resolution;

(b) the maximum price which may be paid for a share shall not be more than the higher of (i) an amount equal to 105 per cent. of the average of the middle market quotations for a share taken from the Official List for the five business days immediately preceding the day on which the share is purchased; and (ii) the higher of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out;

(c) the minimum price which may be paid for a share is one penny;

(d) the Company be authorised to purchase shares out of its unrealised capital or revenue profits less its capital or revenue losses, whether realised or unrealised; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of 18 months from the passing of this Resolution, unless such authority is renewed prior to such time.

6 THAT, the Company be and is hereby generally and unconditionally authorised to hold up to 10 per cent of the Company's own shares (whether purchased pursuant to Resolution 5 or otherwise) as treasury shares pursuant and subject to Articles 58A and 58B of the Companies (Jersey) Law 1991, as amended.

By order of the Board

BNP Paribas Fund Services Jersey Limited
Secretary

Registered Office:
BNP House
Anley Street
St. Helier
Jersey
JE2 3QE
19 January 2009

Note in respect of the Annual General Meeting

Notes

(i) A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

(ii) Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to The Registrars, Equiniti (Jersey) Limited, 11-12 Esplanade, St. Helier, Jersey, JE4 8PH, so as to arrive not less than forty eight hours before the time fixed for the meeting.

(iii) In accordance with Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, to have the right to attend and vote at the meeting referred to above a member must first have his or her name entered in the Company's register of members by not later than forty eight hours before the time fixed for the meeting (or, in the event that the meeting be adjourned, on the register of members forty eight hours before the time of the adjourned meeting). Changes to entries on that register after that time (or, in the event that the meeting is adjourned, on the register of members less than forty eight hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any member to attend and vote at the meeting referred to above.

(iv) No Director has a service contract with the Company.

(v) The Register of Directors' interests is kept by the Company and available for inspection at the registered office.

Warning to Shareholders

Over recent months many companies have become aware that their shareholders have received unsolicited telephone 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 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 telephone call, please call either the Company Secretary or the Registrar at the numbers provided on page 45.

Glossary of Terms

Asset backed securities
A bond secured against a specific pool of assets, such as credit card receivables, corporate loans or mortgages and collateralised by the future cash flows derived from this specific pool of assets.

Basis points ('bps')
One basis point is 1/100th of 1.00%, or 0.01%. 100 bps = 1%.

Bid-offer spread
The difference in price between the price quoted for an immediate sale (the bid price) and the price quoted for an immediate purchase (the offer price). In illiquid market the bid-offer spread typically widens.

Bond
An IOU issued by a borrower, usually a government or a company, who pays a specific sum of money (a coupon) regularly over the life of the bond and repays the face value at maturity.

Breakeven rate
The difference between the yield on a conventional bond and an inflation-linked bond, which provides an indication of investors' inflation expectations.

Credit default swaps ('CDS')
An agreement designed to switch economic exposure between two parties. It is often characterised as an insurance policy but as there is no requirement to hold any asset it is a derivative. It is possible to be either buyer or seller of 'insurance', the buyer pays a periodic fee (a premium) for protection against a specific event (eg a bond default) the seller would receive income but bear the cost of default.

Credit derivative
An over the counter derivative designed to transfer credit risk from one party to another. By synthetically creating or eliminating credit exposures they allow institutions to manage credit risks. Most credit derivatives entail two sources of credit exposure: one from the reference entity and the second from the possible default by the counterparty to the transaction. There are many forms of credit derivatives of which credit default swaps are one of the more popular structures.

Credit rating
Sovereign and corporate bonds usually receive a credit rating from one or more leading rating agencies eg Standard & Poor's ('S&P') or Moody's. The agencies assess the issuer's ability to service its interest payments and repay the principal, and assign it a rating that represents the risk of default.

Credit spread
The difference in yield between two bonds, measured in basis points. When one of the bonds is a top rated government bond, the spread represents the additional return investors demand to choose an asset with default risk over one with virtually none.

Default risk
This is the probability that the bond issuer is unable to make its coupon or principal payments. Investors affected may suffer a loss of income and only a partial principal repayment.

Derivatives
Financial instruments derived from another asset. Rather than buying or selling the asset itself the two parties enter into an agreement to exchange money, assets, or some other value at a future date. Derivatives are used to increase or decrease exposure or increase levels of risk within a portfolio and are more cost effective than purchasing the underlying assets themselves.

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

Duration
An indication of the sensitivity of the bond's price to a change in interest rates. For example, where the duration of a bond is four years, this indicates that for a 1% rise in the yield of the bond, the price of the bond would fall by approximately 4%, and for a 1% fall in the yield of the bond, the price would rise by approximately 4%.

Duration risk
The impact of an interest rate change on a bond portfolio's value.

Fixed income
Assets whose income remains constant; otherwise known as bonds. It also covers bonds with a variable coupon (eg inflation-linked bonds).

Floating rate note
A bond whose interest rate varies with short term rates. Also known as variable notes.

Future/Forward
Derivative contracts that lock in a fixed price on a defined quantity of an underlying asset at a stated maturity. Futures are generic exchange traded contracts whereas forwards are customised OTC contracts. Futures are used for duration management and Forwards are used to hedge currency exposure.

Glossary of Terms
continued

Gearing
The gearing percentage reflects the amount of borrowings the company uses to invest in the market.

Gilt
A bond issued by the British government.

Inflation-linked bond
A bond issued by governments or companies, whose coupon and face value are adjusted to reflect price increases. Index-linked bonds are inflation–linked bonds issued in the UK.

Interest rate future
A futures contract the underlying security of which is a debt obligation (an interest bearing obligation). Examples include a Gilt future (with UK government bonds as the underlying security), Bond futures (German government bonds as the underlying security), Treasury-bond futures (US Treasury bonds as the underlying obligation).

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

Life
The length of time between a bond's issuance and maturity, otherwise known as 'term to maturity' or 'term'.

Net Asset Value
The value of the total assets less liabilities. (The NAV per share of the Company is published daily.)

OTC instrument
'Over the counter' instrument, ie a non-exchange traded instrument, directly traded with a counterparty eg Deutsche Bank.

Secured loans
A form of lending to a company which offers first or second lien security (depending whether senior or junior) over other subordinated assets. These loans rank higher in seniority to other bond or debt securities and as a consequence have historically shown a relatively high ratio of recovery in events of default. Secured loans are a relatively cautious way of accessing the high yield market.

Swap
An exchange transaction between two parties which enables one party to exchange something it possesses for something it requires. Usually refers to exchanging floating rate payments for fixed rate payments.

Total return
The return on the share price or net asset value per share taking into account the rise and fall of share prices and the dividends paid to shareholders. Any dividends received by the shareholder are assumed to have been reinvested in additional shares (for share price total return) or the company's assets (for net asset value total return).

Yield
Yield-to-maturity or redemption yield is the return of an investment held until maturity, taking into account both coupon payments and capital gains and losses. A bond's simple yield is equal to the coupon rate divided by the bond's price.

Investor Information

Financial calendar

Financial period end	31 October 2008
Annual General Meeting	24 February 2009
Shareholder Event (see right)	2 March 2009
5th Interim dividend 2007/2008	31 December 2008
Ex dividend date	10 December 2008
Record date	12 December 2008
1st Interim dividend 2009	31 March 2009
2nd Interim dividend 2009	30 June 2009
3rd Interim dividend 2009	30 September 2009

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services). Mandate forms for this purpose are available on request from the Company's registrars.

Quotation of shares

The market price of the Company's Ordinary shares can be found in the Financial Times.

The London Stock Exchange Daily Official List (SEDOL) code is: B1Y1NS4.

The International Security Identification Number is: JE00B1Y1NS49.

Website

Details of the Company's share price and net asset value, together with other information about the Company, can be found on the Henderson website. The address is: **www.itshenderson.com/hdiv**

Shareholder information

Copies of this Report & Financial Statements or other documents issued by the Company are available from the Company Secretary.

If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

For investors through Itshenderson a textphone telephone service is available on 020 7850 5406. This service is available during normal business hours.

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 meetings when invited to do so by the Chairman.

Those who invest through the Itshenderson Dealing Account, or ISA, receive all shareholder communications. A form of instruction is provided to facilitate voting at general meetings of the Company.

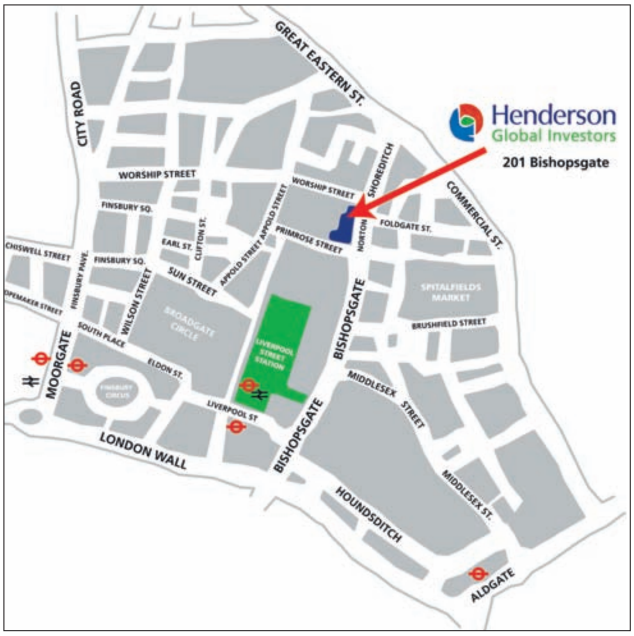
Shareholder Event

Please note that all General Meetings of the Company will be held in Jersey. You may wish to contact the Company Secretary at the registered office if you would like directions to the AGM venue.

The Board recognises that many shareholders are unable to travel to Jersey, but would like to meet a member of the Board and hear from the Portfolio Managers on a regular basis.

Henderson has therefore arranged a Shareholder Event to be held on Monday 2 March 2009 at 3pm. The event will provide the opportunity for the Portfolio Managers to give a presentation on the investment strategy and performance. The event will include light refreshments.

If you wish to attend, please return the yellow card which is enclosed with this Report. A map of the venue for the Shareholder Event is provided below:



■ 201 Bishopsgate, London EC2M 3AE

Investor Information
continued

Directors
Paul Manduca (Chairman)
Helen Green
Nigel Parker
David Smith

Investment Manager
Henderson Global Investors Limited
represented by John Pattullo and Jenna Barnard
201 Bishopsgate, London EC2M 3AE

Henderson Global Investors Limited
is authorised and regulated by the Financial Services Authority

Secretary
BNP Paribas Fund Services Jersey Limited
represented by Jeremy Hamon

Registered Office
BNP House
Anley Street
St. Helier
Jersey
JE2 3QE
Telephone: 01534 709108

Registered Number
Registered in Jersey, number 97669

Registered Auditor
Grant Thornton Limited
Kensington Chambers
46/50 Kensington Place
St. Helier
Jersey
JE1 1ET

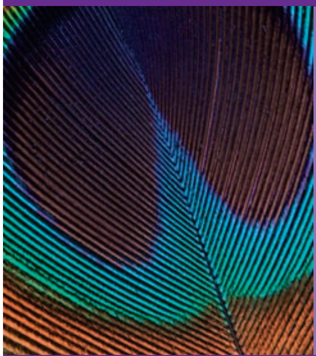
Stockbrokers
JPMorgan Cazenove Limited
20 Moorgate
London
EC2R 6DA

Registrar
Equiniti (Jersey) Limited
11-12 Esplanade
St. Helier
Jersey
JE4 8PH
Telephone: 0870 240 7974

Halifax Share Dealing Limited (HSDL)
(Investors in itshenderson will be transferred to HSDL on
31 January 2009)
Lovell Park Road
Leeds
LS1 1NS
Telephone: 0845 6090 408
Calls to this number from a BT landline are charged at 2p per minute plus a 7p connection charge. Other telephone provider costs may vary.

Email: communications@halifax.co.uk

The Association of
Investment Companies



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Henderson Global Investors

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