HENDERSON DIVERSIFIED INCOME LIMTED
REPORT FOR THE HALF-YEAR
ENDED 30 APRIL 2016
(UNAUDITED)

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Investment objective

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

Performance highlights for the six months to 30 April 2016

- Net asset value ('NAV') total return[1] of 2.4% compared to a total return from the benchmark[2] of 1.3%.
- Share price total return (including dividends reinvested) of 1.3%.

Total return performance for the six months to 30 April 2016
(including dividends reinvested and excluding transaction costs)

	6 months	1 year	3 years	5 years	Since launch[3]
	%	%	%	%	%
NAV	2.4	2.5	20.3	38.1	57.6
Share price	1.3	0.2	20.1	37.8	55.6
Benchmark[2]	1.3	2.6	6.7	11.2	29.6

[1] Net asset value including dividends reinvested and excluding transaction costs
[2] The Company's benchmark is the total return over three month sterling Libor plus 2.00%. Prior to 1 November 2014 the Company's benchmark was the total return over three month sterling Libor plus 1.25%
[3] As at 5 June 2007

Sources: Morningstar Funddata, Datastream and Henderson

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Interim Management Report

Chairman's Statement

Performance
The six months under review have been a more demanding period for your Company but I am pleased to report that we were able to maintain the level of quarterly dividend payments and indeed slightly add to the revenue reserve. Your Company's net asset value total return and share price total return were 2.4% and 1.3% respectively for the six month period and the premium to net asset value at which your Company's shares trade was 1.2% at the period end down from 2.4% at the beginning of the period. This was a good result given the general widening of discounts in the investment company sector over the same period.

Dividends
On 31 December 2015 a fourth interim dividend of 1.35p per ordinary share for the year ended 31 October 2015 was paid. A first interim dividend of 1.25p per ordinary share for the year ended 31 October 2016 was paid to shareholders on 31 March 2016 and a second interim dividend of 1.25p per ordinary share was declared on 24 May 2016 which will be paid on 30 June 2016 to shareholders on the register on 3 June 2016.

Material events during the period
As stated in the annual report, your Board undertook a review of its investment policy in the period under review and concluded that the end of the credit bear market may well provide a compelling opportunity to lock in attractive income streams from high quality companies. Accordingly, shareholder approval was sought, and given at the Annual General Meeting in April to increase total permitted gearing above the limit of 30% of net assets to a new limit of 40% of net assets. Your Board has not yet utilised this additional flexibility with gearing remaining broadly steady over the period and finishing at 19.2% as at 30 April 2016, but is keeping the option under constant review.

Aggregated financial statements
Following the introduction of International Financial Reporting Standard 10 ('IFRS 10') and the subsequent changes to the Company's financial reporting requirements, your Board has presented a supplementary Aggregated Condensed Income Statement and Aggregated Condensed Balance Sheet on pages 8 and 9 respectively, prepared on a basis consistent with prior years, to help enable shareholders to understand the half year results and position of the total portfolio.

Board changes
As reported in the 2015 Annual Report, Ian Wright and Angus Macpherson were appointed as Directors of the Company on 23 November 2015 and 18 January 2016 respectively and David Smith retired from the Board on 12 April 2016.

Outlook
The global search for yield continues to be fuelled by negative interest rate policies now in Japan as well as Europe which means that returns will come from income with little prospect for any capital growth in the near term. An important risk is a possible Brexit but we see this in terms of price volatility rather than default risk and hence could also present income opportunities. As always our Managers are looking to maintain the quality of the portfolio and will look to avoid any late-cycle pitfalls as we move closer to the end of the credit bear market.

Paul Manduca
Chairman
16 June 2016

Principal risks and uncertainties

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

- Investment strategy
- Market and financial
- Accounting, legal and regulatory
- Operational
- Borrowing
- Currency hedging/foreign exchange
- Interest rates
- Credit risk including credit default risk

Information on these risks and how they are managed is given in the Company's Annual Report to 31 October 2015. In the view of the Board these principal risks and uncertainties are as applicable to the remaining six months of the financial year as they were to the six months under review.

Related party transactions

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

Statement of Directors' responsibilities

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

(a) the set of financial statements has been prepared in accordance with the International Accounting Standard 34 'Interim Financial Reporting';

(b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the six month period and description of principal risks and uncertainties for the remaining six months of the year); and

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

For and on behalf of the Board
Paul Manduca
Chairman
16 June 2016

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Fund Managers' Report

Introduction
The Company's net asset value per ordinary share held up well over the six months to 30 April 2016 and the portfolio continued to generate a high level of income for shareholders notwithstanding the low level of three month sterling LIBOR. The period under review saw significant shifts in the global asset markets driven by ever more aggressive central bank action. Perhaps the most dramatic of these was the collapse in longer dated Japanese government bond yields following the unexpected move by the Bank of Japan to take short term interest rates into negative territory. As a result the world's second largest government bond issuer saw its ten year yields move negative and thirty year bond yields drop to a measly 0.3%. The combination of extremely low European and Japanese bond yields has set in train a global search for income as investors look to invest in government and investment grade corporate bond markets that still offer attractive positive yields.

Macro Review
In the context of this global search for yield it is not a surprise to note that sovereign bonds, investment grade and high yield bonds all posted reasonable returns over the period albeit with significant intra period volatility. High yield for example, performed extremely poorly up until February 2016 having been dragged down by the combination of a slumping oil price and weak corporate revenue growth. Indeed the US high yield market is now highly correlated to the oil price following the massive issuance of bonds over the last decade in order to fund the shale boom. At the same time as commodities were plummeting in price, the market also experienced a more general global deflation scare relating to China's currency devaluation strategy, the strong US dollar more generally and anaemic global aggregate demand growth. This resulted in sovereign bond yields falling rapidly (with subsequent higher prices). Ten year Gilts hit record lows of 1.22% on 11 February 2016.

The knock-on impact of the collapse in bond yields and the policy of negative interest rates in Japan and Europe was felt most acutely in the global banking sector. Equity markets rapidly de-rated global valuations for banking stocks post the move by the Japanese central bank to join the European Central Bank in taking interest rates negative in late January 2016 as this was viewed as a direct hit to the earnings power of the sector. Given that European bank stocks were already trading at low multiples, this re-appraisal of their value is probably the most concerning development over the period. The European banks reporting season was generally poor, with low trading volumes, on-going write offs and restructuring/conduct provisioning. Deutsche Bank and Credit Suisse bore the brunt of the action with both share prices touching 20 year lows. In the case of Deutsche Bank specifically, both bond and equity markets got in a frenzy over whether the bank may need to suspend coupon payments on their junior, contingent convertible bonds. This episode was not helped by some changing regulation from the European authorities. However, these banks all have much stronger capital and liquidity positions than pre the Financial Crisis and we think it was more a re-appraisal of their earnings power, rather than their solvency, which was the primary concern. Indeed, as a show of strength, Deutsche Bank offered to buy back certain bonds which helped market sentiment.

A number of market participants capitulated into the panic. The hedge fund industry has had some high profile casualties for example. Our financial bonds did suffer especially the longer dated sterling insurance bonds. This was somewhat frustrating as all the insurers reported good results, growing dividends and decent solvency 2 capital ratios. Markets often over react to thin liquidity.

As market positioning normalised and the oil price recovered, risk assets began to rally from mid-February onwards. Concerns about an imminent Chinese devaluation also seemed to fade. In early March "super Mario" (Draghi) of the European Central Bank (ECB) announced a major move to expand Quantitative Easing (QE) to include corporate bonds and an amended bank lending scheme, which basically involved the central bank paying banks to lend money to the real economy. These unexpected and aggressive moves to ease credit conditions in the European economy further fuelled the rally in corporate bond spreads. Risk assets rallied more widely as investors positioned themselves in anticipation of trickle down effects into European high yield markets and international (sterling and dollar) investment grade markets. Reflecting these market gyrations, the Company's NAV did fall during this period; the financials being the worst performers and the loans being the best performers, and then rallied back hard towards the period end.

Asset Allocation
We have been flagging for some time that we consider credit markets, in particular the US credit market, to be in late cycle so we did alter the asset allocation of the Company. From last summer we have materially reduced our high yield exposure primarily in US healthcare and select European and US telecom names. This calendar year we reduced some of the high yield banking bonds. This included some of the few capital contingent convertible bonds we held. The timing of this was fortuitous as we sold before the meltdown in risk assets in

early February. We allocated some of the sales proceeds to US investment grade bonds. This asset class had sold off significantly given the late cycle nature of credit markets but was trading at valuations reflective of a recession. We decided to invest in large cap, non-cyclical sectors in companies which have recently taken on debt, and hence issued bonds, to finance acquisitions but which have stated deleveraging targets. Such names include Verizon, AT&T, Walgreen Boots, Reynolds and Kraft Heinz. We believe this has helped to lower the default risk of the Company without giving up yield. We have extended interest rate sensitivity (duration) a little as these investment grade bonds tend to be of much longer maturity than the shorter dated high yield bonds we sold. We have approximately a third of the Company's assets in each of secured loans, investment grade bonds and high yield bonds. (ignoring the modest exposure we have to high yielding equities). Given a somewhat uncertain economic outlook this "thirding" strategy seems sensible to us. Indeed it is the first time since 2007 the assets have been roughly equally split.

Secured Loan Portfolio

The European secured loan market had a mixed six months through to 30 April 2016. Returns for the first 4 months of the period were negative in line with broader uncertainty across credit markets, before rebounding strongly through March and April. Overall the asset class delivered a 2.08% return for the 6 months (measured by the Credit Suisse Western European Leveraged Loan Index hedged to GBP). Despite the March/April recovery in prices, the asset class did deliver a below coupon return.

The volatility seen through the period did result in spreads widening on new loan issues. As a result we think the new issue market for loans continues to look attractive with the majority of borrowers pricing their senior secured loans with coupons in the LIBOR + 4.5-5.5% range.

New names added to the secured loans portfolio over the period include Telecolumbus (Cable TV, Germany), Keurig (Food & Beverage, US) and Equinix (Real Estate, US). Given broader economic concerns we have continued to focus on maintaining the credit quality of the underlying portfolio. We have therefore reduced position sizes or exited certain loans, where the borrower's financial performance has fallen short of our expectations. Loans removed from the portfolio include ERM (Services, UK) due to exposure to the oil and gas sector and BMC Software (IT, US). We added to existing positions in Pret a Manger (Retail, UK) and Kloekner Pentaplast (Packaging, Germany) given the strong performance of both businesses.

The average price of the loans in the portfolio as at the end of the period stood very close to par and the overall loan component of your portfolio is delivering a running yield of 5.2%.

Outlook

Markets remain torn between supportive central bank interventions and weak fundamentals namely growth, inflation and earnings. Moreover, the US central bank is hoping to have the opportunity to raise rates whilst the ECB, in contrast, is expanding its QE programme to include corporate bonds. We expect a fiscal expansion from Japan and possibly other countries in the years to come. The strength of the US dollar and the oil price remain key risk pivots. Against this backdrop, we feel the portfolio is well diversified at the asset class level. Approximately one third is in financials whilst the balancing names are heavily skewed towards larger, non-cyclical consumer facing industrials. We expect returns in the medium term to be from yield (income) with limited opportunity for capital appreciation. In the shorter term, the effects of the UK referendum on its EU membership will likely dominate the price performance of the assets within the fund.

John Pattullo & Jenna Barnard
Fund Managers
16 June 2016

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Investments held in subsidiary

The following investment portfolio analysis is provided on a look through basis to provide shareholders with information regarding the investments held by the subsidiary.

Summary of portfolio as at 30 April 2016

	%
Asset backed securities	0.7
High yield bonds*	37.9
Secured loans	28.3
Investment grade bonds	26.2
Equities	6.9

* does not include credit default swaps

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Top twenty investments as at 30 April 2016

Investment	Principal activities	Currency	Geographical area	Valuation £'000	% of portfolio
RAC	Commercial services	£	UK	4,790	2.8
Lloyds Group	Diversified banking	£	UK	4,027	2.3
Axa	Insurance	£	France	3,935	2.3
Verizon Communications	Telecommunications	US$	US	3,557	2.1
Virgin Media	Media	£	UK	3,532	2.1
Orange	Telecommunications	Euro	France	3,363	2.0
Nationwide Building Society	Banks	£	UK	3,226	1.9
Auris	Healthcare services	Euro	Germany	3,186	1.9
Co-Operative Group	Food	£	UK	3,052	1.8
AT&T	Telecommunications	US$	US	2,903	1.7
Gala	Leisure	£	UK	2,852	1.7
Kloeckner	Materials	US$	US	2,717	1.6
BNP Paribas	Banks	US$	US	2,692	1.6
Verallia	Materials	Euro	France	2,634	1.5
Iron Mountain	Commercial services	£/US$	US	2,628	1.5
Prudential	Insurance	£	UK	2,592	1.5
Bupa Finance	Insurance	£	UK	2,575	1.5
Royal Bank of Scotland	Diversified banking	£/Euro/US$	UK	2,548	1.5
CPUK Finance	Diversified financial services	£	UK	2,502	1.5
Aviva	Insurance	£	UK	2,478	1.4

These investments total £61,789,000 or 36.2% of the portfolio.

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

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Aggregated Condensed Income Statement

	(Unaudited) Half year ended 30 April 2016			(Unaudited) Half year ended 30 April 2015			(Unaudited) Year ended 31 October 2015		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) on investments designated as fair value through profit or loss	**-**	**5,907**	**5,907**	-	1,788	1,788	-	(3,498)	(3,498)
(Losses)/gains on foreign exchange transactions at fair value through profit or loss	**-**	**(6,469)**	**(6,469)**	-	2,003	2,003	-	3,117	3,117
Investment income	**5,090**	**-**	**5,090**	4,497	-	4,497	9,320	-	9,320
Other operating income	**2**	**-**	**2**	1	-	1	2	-	2
Total income	**5,092**	**(562)**	**4,530**	4,498	3,791	8,289	9,322	(381)	8,941
Expenses									
Management and performance fees	**(219)**	**(219)**	**(438)**	(252)	(1,152)	(1,404)	(514)	(924)	(1,438)
Other expenses	**(305)**	**-**	**(305)**	(255)	-	(255)	(562)	-	(562)
Profit/(loss) before finance costs and taxation	**4,568**	**(781)**	**3,787**	3,991	2,639	6,630	8,246	(1,305)	6,941
Finance costs	**(88)**	**(88)**	**(176)**	(51)	(52)	(103)	(139)	(139)	(278)
Profit/(loss) before taxation	**4,480**	**(869)**	**3,611**	3,940	2,587	6,527	8,107	(1,444)	6,663
Taxation	**(37)**	**-**	**(37)**	(23)	-	(23)	(77)	-	(77)
Profit/(loss) for the period	**4,443**	**(869)**	**3,574**	3,917	2,587	6,504	8,030	(1,444)	6,586
Earnings/(loss) per ordinary share	**2.66p**	**(0.52)p**	**2.14p**	2.61p	1.73p	4.34p	5.16p	(0.93)p	4.23p

The aggregated information is derived from the separate accounting records of the Company and its subsidiary, individually prepared in accordance with the IFRS accounting policies and after eliminating intra group transactions and balances. This statement is supplemental to the condensed financial statements and unaudited.

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Aggregated Condensed Balance Sheet

	(Unaudited) 30 April 2016 £'000	(Unaudited) 30 April 2015 £'000	(Unaudited) 31 October 2015 £'000
Non current assets			
Investments designated as fair value through profit or loss	**171,482**	169,377	167,963
Current assets			
Other receivables	**6,524**	6,585	4,756
Cash and cash equivalents	**806**	1,378	1,131
	7,330	7,963	5,887
Total assets	**178,812**	177,340	173,850
Current liabilities			
Other payables	**(4,134)**	(6,092)	(9,304)
Bank loan (net of issue costs)	**(28,311)**	-	(19,177)
Total assets less current liabilities	**146,367**	171,248	145,369
Non current liabilities			
Bank loan (net of issue costs)	**-**	(25,850)	-
Net assets	**146,367**	145,398	145,369
Equity attributable to equity shareholders			
Stated capital	**111,643**	105,986	109,891
Distributable reserve	**39,862**	39,862	39,862
Retained earnings:			
Other capital reserve	**(8,552)**	(3,652)	(7,683)
Revenue reserve	**3,414**	3,202	3,299
Total equity	**146,367**	145,398	145,369
Net asset value per ordinary share (note 4)	**87.92p**	90.77p	88.36p

The aggregated information is derived from the separate accounting records of the Company and its subsidiary, individually prepared in accordance with the IFRS accounting policies and after eliminating intra group transactions and balances. This statement is supplemental to the financial statements and unaudited.

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Condensed Company Income Statement

	(Unaudited) Half year ended 30 April 2016			(Unaudited) Half year ended 30 April 2015			(Audited) Year ended 31 October 2015		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Gains/(losses) on investments designated as fair value through profit or loss	**-**	**2,783**	**2,783**	-	3,562	3,562	-	(452)	(452)
(Losses)/gains on foreign exchange transactions at fair value through profit or loss	**-**	**(2,566)**	**(2,566)**	-	758	758	-	1,338	1,338
Investment income	**3,705**	**-**	**3,705**	3,157	-	3,157	6,865	-	6,865
Investment Income from Subsidiary	**563**	**-**	**563**	552	-	552	1,088	-	1,088
Other operating income	**1**	**-**	**1**	215	-	215	1	-	1
Total income	**4,269**	**217**	**4,486**	3,924	4,320	8,244	7,954	886	8,840
Expenses									
Management and performance fees	**(219)**	**(219)**	**(438)**	(252)	(1,152)	(1,404)	(514)	(924)	(1,438)
Other expenses	**(268)**	**-**	**(268)**	(224)	-	(224)	(488)	-	(488)
Profit/(loss) before finance costs and taxation	**3,782**	**(2)**	**3,780**	3,448	3,168	6,616	6,952	(38)	6,914
Finance costs	**(88)**	**(88)**	**(176)**	(51)	(52)	(103)	(139)	(139)	(278)
Profit/(loss) before taxation	**3,694**	**(90)**	**3,604**	3,397	3,116	6,513	6,813	(177)	6,636
Taxation	**(30)**	**-**	**(30)**	(9)	-	(9)	(50)	-	(50)
Profit/(loss) for the period	**3,664**	**(90)**	**3,574**	3,388	3,116	6,504	6,763	(177)	6,586
Earnings/(loss) per ordinary share (note 3)	**2.20p**	**(0.06)p**	**2.14p**	2.26p	2.08p	4.34p	4.34p	(0.11)p	4.23p

All items in the above statement derive from continuing operations. All income is attributable to the equity shareholders of Henderson Diversified Income Limited.

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

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

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Condensed Company Statement of Changes in Equity

			(Unaudited) Half year ended 30 April 2016		
	Stated capital £'000	**Distributable reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
Total equity at 31 October 2015	**109,891**	**39,862**	**528**	**(4,912)**	**145,369**
Total comprehensive income:					
(Loss)/profit for the period					
Transactions with owners	**-**	**-**	**(90)**	**3,664**	**3,574**
recorded directly to equity:					
Dividends paid	**-**	**-**	**-**	**(4,328)**	**(4,328)**
Proceeds from issue of shares	**1,752**	**-**	**-**		**1,752**
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Total equity at 30 April 2016	**111,643**	**39,862**	**438**	**(5,576)**	**146,367**
	======	======	======	======	======

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

			(Audited) Year ended 31 October 2015		
	Stated capital £'000	Distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Total equity at 31 October 2014	87,847	39,862	705	(3,810)	124,604
Total comprehensive income:					
(Loss)/profit for the year	-	-	(177)	6,763	6,586
Transactions with owners recorded directly to equity:					
Dividends paid	-	-	-	(7,865)	(7,865)
Proceeds from issue of shares	22,044	-	-	-	22,044
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Total equity at 31 October 2015	109,891	39,862	528	(4,912)	145,369
	======	======	======	======	======

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

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Condensed Company Balance Sheet

	(Unaudited) 30 April 2016 £'000	(Unaudited) 30 April 2015 £'000	(Audited) 31 October 2015 £'000
Non current assets			
Investments designated as fair value through profit or loss	**122,895**	119,422	117,940
Interests in subsidiary	**50,070**	48,204	44,598
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	172,965	167,626	162,538
Current assets			
Other receivables	**5,069**	5,177	4,095
Cash and cash equivalents	**119**	881	350
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	5,188	6,058	4,445
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Total assets	**178,153**	173,684	166,983
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Current liabilities			
Other payables	**(3,475)**	(2,436)	(2,437)
Bank Loan (net of issue costs)	**(28,311)**	-	(19,177)
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Total assets less current liabilities	**146,367**	171,248	145,369
Non current liabilities			
Bank loan (net of issue costs)	**-**	(25,850)	-
	-----------	-----------	----------
Net assets	**146,367**	145,398	145,369
	======	======	======
Equity attributable to equity shareholders			
Stated capital	**111,643**	105,986	109,891
Distributable reserve	**39,862**	39,862	39,862
Retained earnings:			
Other capital reserves	**438**	3,821	528
Revenue reserve	**(5,576)**	(4,271)	(4,912)
	---------	---------	---------
Total equity	**146,367**	145,398	145,369
	======	======	======
Net asset value per ordinary share (note 4)	**87.92p**	90.77p	88.36p
	======	======	======

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

HENDERSON DIVERSIFIED INCOME LIMITED

Unaudited results for the half year ended 30 April 2016

Condensed Company Cash Flow Statement

	(Unaudited) Half year ended 30 April 2016 £'000	(Unaudited) Half year ended 30 April 2015 £'000	(Audited) Year ended 31 October 2015 £'000
Operating activities			
Net profit before tax	**3,604**	6,513	6,636
Interest payable	**176**	103	278
Losses/(gains) on investments held at fair value through profit or loss	**(2,783)**	(3,562)	452
Losses/(gains) on foreign exchange transactions at fair value through profit or loss	**2,566**	(758)	(1,338)
Amortisation of loan expenses	**-**	-	10
Decrease/ (increase) in prepayments and accrued income	**306**	(733)	(1,338)
Increase/ (decrease) in other creditors	**204**	122	(355)
Purchases of investments	**(31,704)**	(70,719)	(97,956)
Sales of investments	**28,678**	34,302	60,999
Drawdown of loan to subsidiary	**(15,000)**	(6,600)	(12,850)
Repayments of loan to subsidiary	**10,900**	12,050	21,151
Interest from subsidiary	**(563)**	(552)	(1,088)
Increase in sales for settlement debtor	**(249)**	(1,005)	(414)
Increase in purchase settlement creditor	**834**	1,066	1,543
Net cash outflow from operating activities before finance costs	**(3,031)**	(29,773)	(24,270)
Interest paid	**(176)**	(103)	(278)
Taxation on investment income	**20**	(9)	(65)
Net cash outflow from operating activities	**(3,187)**	(29,885)	(24,613)
Financing activities			
Equity dividends paid	**(4,328)**	(3,849)	(7,865)
Issue of ordinary shares	**1,752**	18,139	22,044
Net drawdown of loans	**9,134**	15,893	9,220
Net cash inflow from financing	**6,558**	30,183	23,399
Increase/(decrease) in cash and cash equivalents	**3,371**	298	(1,214)
Cash and cash equivalents at start of the period	**350**	482	482
Exchange movements	**(3,602)**	101	1,082
Cash and cash equivalents at the end of the period	**119**	881	350

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

Unaudited results for the half year ended 30 April 2016

Notes to the interim financial information:

1. General information

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

The Company was incorporated on 5 June 2007.

2. Accounting policies: basis of preparation

This condensed interim financial information has been prepared using the same accounting policies as set out in the Company's Annual Report for the year ended 31 October 2015 and in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting.

The condensed interim financial information for the half years ended 30 April 2016 and 30 April 2015 have not been audited or reviewed by the Company's auditors.

Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. As the majority of the Company's financial assets are quoted securities, in the opinion of the Directors, the amounts included as assets and liabilities in the financial statements are not subject to significant judgements, estimates or assumptions. The other significant accounting judgement considered by the Directors is the application of IFRS 10 which is explained in the Annual Report for the year ended 31 October 2015 and continues to be applied for this half year period.

3. Earnings per ordinary share

The earnings per ordinary share is based on the net profit after taxation of £3,574,000 (30 April 2015: profit of £6,504,000; 31 October 2015: profit of £6,586,000) and on 166,432,328 ordinary shares (30 April 2015: 149,940,241 ordinary shares; 31 October 2015: 155,631,014 ordinary shares) being the weighted average number of ordinary shares in issue during each of the periods.

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

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

	(Unaudited) Half year ended 30 April 2016 £'000	(Unaudited) Half year ended 30 April 2015 £'000	(Audited) Year ended 31 October 2015 £'000
Net revenue profit	**3,664**	3,388	6,763
Net capital (loss)/profit	**(90)**	3,116	(177)
Net total profit	**3,574**	6,504	6,586
Weighted average number of ordinary shares in issue during the period	**166,432,328**	149,940,241	155,631,014
Revenue earnings per ordinary share	**2.20p**	2.26p	4.34p
Capital (loss)/earnings per ordinary share	**(0.06)p**	2.08p	(0.11)p
Total earnings per ordinary share	**2.14p**	4.34p	4.23p

4. Net asset value per ordinary share

The basic net asset value per ordinary share is based on a net asset value of £146,367,000 (30 April 2015: £145,398,000; 31 October 2015: £145,369,000) and on 166,468,240 ordinary shares (30 April 2015: 160,178,240 ordinary shares; 31 October 2015: 164,518,240 ordinary shares) being the number of ordinary shares in issue at each period end.

5. Share capital

During the half year ended 30 April 2016, 1,950,000 ordinary shares have been issued and no shares have been bought back. As at 30 April 2016 the Company's issued share capital was 166,468,240 ordinary shares. Between 1 May 2016 and 14 June 2016, no new ordinary shares have been issued. The Company's issued share capital as at 14 June 2016 was therefore 166,480,240 ordinary shares.

6. Dividends paid

The fourth interim dividend of 1.35p per share in respect of the year ended 31 October 2015 was paid on 31 December 2015.

A first interim dividend in respect of the year ending 31 October 2016 of 1.25p per share was paid on 31 March 2016. The second interim dividend of 1.25p per share was declared on 24 May 2016 and will be paid on 30 June 2016 to shareholders on the register on 3 June 2016. The shares were quoted ex-dividend on 2 June 2016. The cost of this dividend will be £2,081,000 based on 166,468,240 ordinary shares in issue on 3 June 2016.

7. Financial instruments

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

As at 30 April 2016	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit or loss:				
Investments	**122,895**		**-**	**122,895**
Interests in subsidiary	**-**	**50,070**	**-**	**50,070**
Credit default swaps	**-**	**193**	**-**	**193**
Currency forward exchange contracts	**-**	**989**	**-**	**989**
	122,895	**51,252**	**-**	**174,147**

As at 30 April 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Investments	119,422	-	-	119,422
Interests in subsidiary	-	48,204	-	48,204
Credit default swaps	-	884	-	884
Currency forward exchange contracts	-	713	-	713
	119,422	49,801	-	169,223

As at 31 October 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Investments	117,940	-	-	117,940
Interests in subsidiary	-	44,598	-	44,598
Credit default swaps	-	173	-	173
Currency forward exchange contracts	-	313	-	313
	117,940	45,084	-	163,024

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

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

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

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1. The Company's interests in the subsidiary and holdings in credit default swaps are included within Level 2. Also included here are forward exchange contracts which have resulted in unrealised gains of £989,000; and

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

The valuation techniques used by the Company are explained in the accounting policies note on pages 45 to 47 of the Company's Annual Report for the year ended 31 October 2015.

There have been no transfers to or from Level 3 during the half year under review.

8. Going concern

Having reassessed the principal risks and uncertainties the directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

9. General information

a) Company status

Henderson Diversified Income Limited is a Jersey fund with its registered office at Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY and is regulated by the Jersey Financial Services Commission.

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

b) Directors, Secretary and Registered Office

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

c) Website

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