Annual Report 2022

Henderson Diversified Income Trust plc

MANAGED BY Janus Henderson INVESTORS

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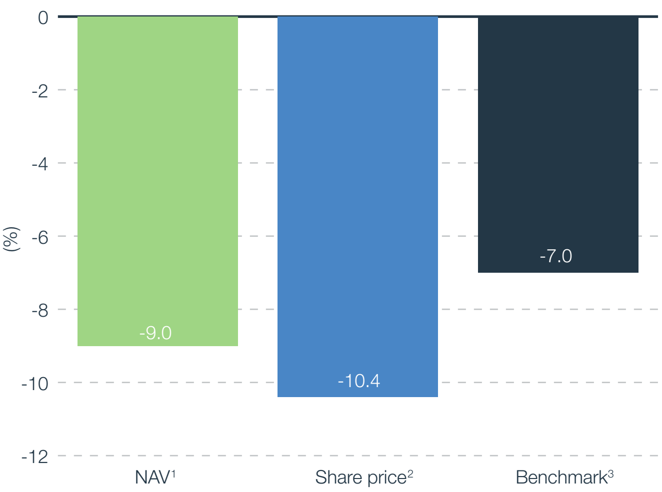
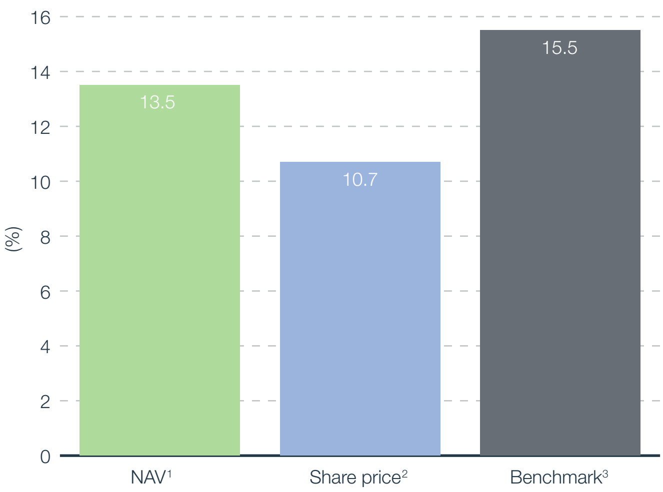
Performance Highlights

Strategic Report: Performance Highlights

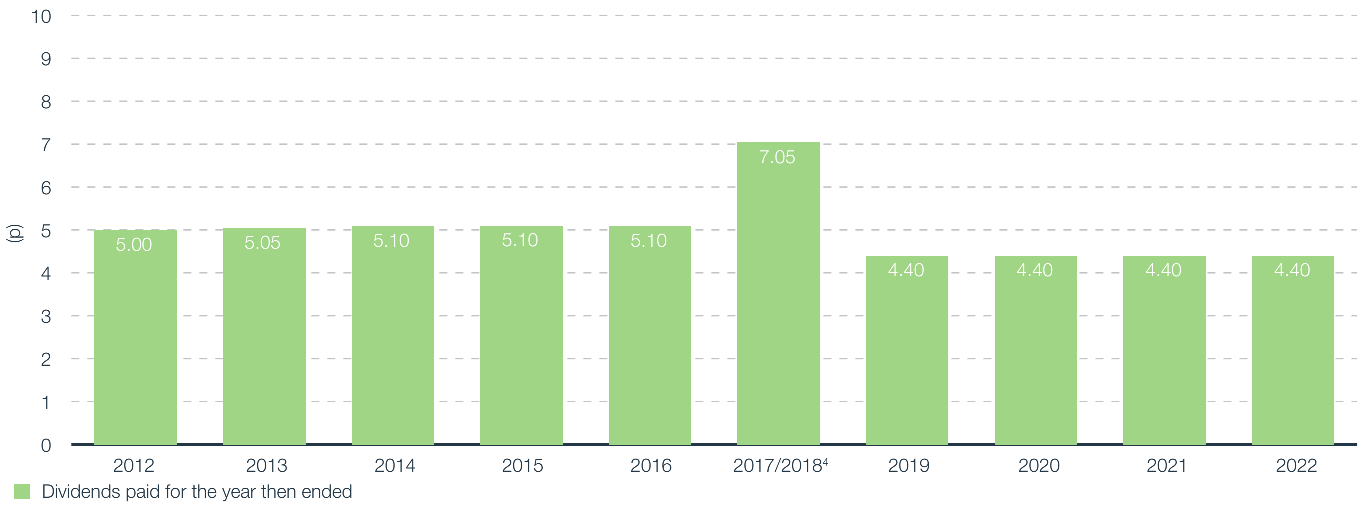
Total return performance for year to 30 April 2022



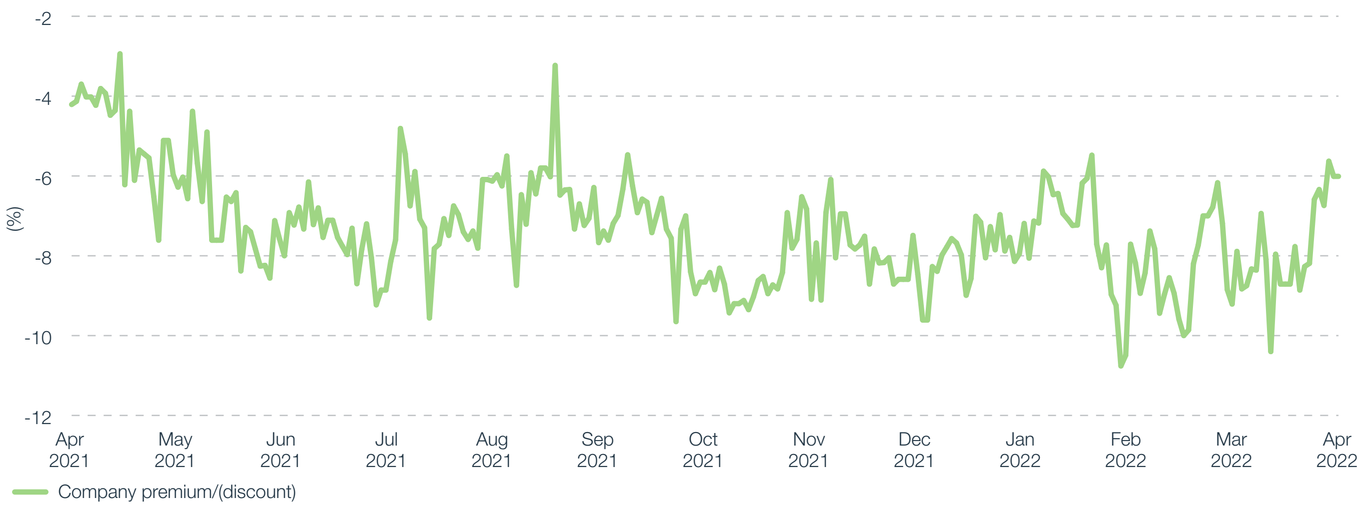
Total return performance for year to 30 April 2021



Dividend per share (pence)



Discount to net asset value for the year



Sources: Morningstar, BNP IRP Service, Janus Henderson Investors and Henderson Diversified Income Trust plc Annual Reports

Strategic Report: Performance Highlights (continued)

NAV per share

2022 **79.55p**

2021 **91.87p**

Share price

2022 **73.80p**

2021 **88.00p**

Revenue return per share

2022 **4.65p**

2021 **4.61p**

Net assets

2022 **£148.4m**

2021 **£175.7m**

Dividend per share

2022 **4.40p**

2021 **4.40p**

Dividend yield[5]

2022 **5.96%**

2021 **5.00%**

Ongoing charge[5]

2022 **0.91%**

2021 **0.93%**

Financial gearing[5]

2022 **16.71%**

2021 **15.04%**

Carbon intensity

Benchmark

291.24 tCO_2e[6]/Revenue

Company

28.66 tCO_2e/Revenue

All figures are at 30 April

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

2 The share price total return per ordinary share using mid-market closing price (including dividends reinvested)

3 The benchmark is a blend of 60% Global High Yield Credit (ICE Bank of America Global High Yield Constrained Index); 25% Global Investment Grade Corporate Credit (ICE Bank of America Global BBB Corporate Bond Index), and; 15% European Loans (Credit Suisse Western European Leveraged Loan Index)

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

5 A Glossary of Terms and Alternative Performance Measures can be found on pages 80-81 and 82-83 respectively

6 Tonnes of Carbon Dioxide equivalent

Sources: Morningstar, BNP IRP Service, Janus Henderson Investors and Henderson Diversified Income Trust plc Annual Reports

Chairman's Statement

Angus Macpherson
Chairman

Strategic Report: Chairman's Statement

Introduction

The year under review has been one of considerable volatility and your Company has not been immune to this. The NAV total return in the year to 30 April 2022 was -9.0%, reflecting a fundamental change in the perception of inflation risk by the market. The dividend was covered by revenues and was maintained at 4.40p.

The shares of the Company have also underperformed, now trading at a wider discount to NAV of 9.5%. It is always disappointing to report a loss, particularly from a fixed income fund. However as discussed below, the absolute returns do not tell the full story and indeed the story of this economic cycle is not yet fully told.

The Fund Managers' commitment to 'sensible income' continues to result in a portfolio focused on larger, less cyclical, modern day facing businesses which have sustainable revenues in the post COVID era. This has meant a continued bias towards investing in the US high yield market rather than companies in the UK and Continental Europe. The capital investment in US dollars is then hedged back into sterling to protect investors from exchange rate volatility.

Performance

I wrote in last year's report that the Fund Managers were 'cautiously optimistic' about the inflation outlook. At that time this seemed a reasonable opinion to hold. I also noted that the Fund Managers had previously demonstrated the flexibility to evolve their thinking as circumstances changed. The impact of unforeseen events such as the invasion of Ukraine and the slower than predicted recovery of supply chains was not anticipated. A consensus is now building for a far bigger inflation shock than previously expected.

This has affected all markets. Last year we introduced a benchmark to allow better comparison of the Company's performance. The benchmark, subject to the same market influences as the fund, fell 7.0% and accounts for much of the decline in NAV. The Fund Managers believe that these losses are temporary: their approach of investing for 'sensible income' focuses on longer term investments in higher quality companies.

This approach accounts for the additional losses in the funds. Greater exposure to shorter dated bonds issued by lower quality companies would have yielded better returns. The managers anticipate a hard landing in both the UK and Europe with a milder recession in the US. If their thesis is proved correct, the wisdom of focusing on higher quality credits should become clearer.

This trust was established with a view that the Fund Managers could increase their holdings of secured loans which should not be as adversely impacted by rate changes as bonds. However, the Fund Managers believe that the credit quality of such instruments has deteriorated in recent years compared to high yield and the cash yield paid insufficient reward.

During the year shareholders approved a number of explicit restrictions on the portfolio related to Environmental Social and Governance objectives. The Board and Fund Managers have a clear commitment to recognising the importance of ESG considerations in making investments. It is important to note that this commitment existed prior to recent high profile discussion of these matters. These restrictions merely formally acknowledge the approach the Fund Managers were already taking. This is discussed in greater detail in their report.

AGM

The lifting of restrictions in response to the pandemic means that we are able to hold our AGM in person this year, and we look forward to seeing shareholders who feel comfortable to attend in person at the offices of Janus Henderson Investors, 201 Bishopsgate, London EC2M 3AE, on 4 October 2022. Your Board recognises, however, that there are those who may not feel comfortable, and with that in mind, the meeting will also be broadcast live on the internet at www.janushenderson.com/trustslive. For those watching the broadcast, you will be able to ask any questions you have of the Fund Managers or the Board, but you will not be able to vote, so I would encourage you to submit your vote via proxy ahead of the meeting if you don't intend to be there in person.

Dividends

For the year ended 30 April 2022, a third interim dividend of 1.10p per ordinary share was paid on 31 March 2022 and a fourth interim dividend of 1.10p per ordinary share was paid on 30 June 2022 making a total of 4.40p per ordinary share for the year, in line with our expectations. These dividends have been paid as interest distributions for UK tax purposes. More information about interest streaming can be found in the Glossary on page 81.

Buying Back Shares

As previously notified to shareholders, the Board has a policy which gives discretion to the Fund Managers to buy-back the Company's shares, where it is deemed accretive to shareholders to do so. During the year, 4.71 million shares were bought back at an average discount of 8.5%. The Board continues to work with both the Fund Managers and its broker to actively manage the discount.

Outlook

Elon Musk recently welcomed the possibility of a recession, tweeting that 'It's been raining money on fools for too long. Some bankruptcies need to happen'. Central Banks and Governments have become used to flooding the market with liquidity in response to economic slowdown without an inflationary penalty. This time is different. It is evident that there is a real risk of sustained inflation and the managers argue that recession is likely.

Strategic Report: Chairman's Statement (continued)

In order to provide the Fund Managers with the greatest possible flexibility to react to what could be very volatile markets, the Board have resolved that if necessary the dividend can be paid in part from reserves rather than current year income.

The portfolio strategy of investing principally in US high quality issuers accords with their thesis of a less severe downturn in the US than Europe and the UK. As the next financial year unfolds, the relative success of this strategy will become clearer.

Angus Macpherson
Chairman
15 July 2022

Fund Managers' Report

John Pattullo

Jenna Barnard

Nicholas Ware

Strategic Report: Fund Managers' Report

Performance

The Company's NAV fell by 9.0% over the 12 months to 30 April 2022; underperforming the new benchmark which fell 7.0%. The share price total return was -10.4% reflecting a small widening in the discount. The dividend remains covered and another modest surplus was generated. We remain confident in maintaining the dividend in the medium term. We continue to buy back shares opportunistically if accretive to shareholders.

Macro background

In the last 6 monthly report we said that we felt equities were euphoric, credit spreads were reassuringly expensive and volatility was suppressed. We expected a tougher regime going forwards and we have certainly got one! When running a geared Company investing in fixed interest whose primary objective is the consistent generation of a reasonable income stream without permanent capital destruction, throughout the economic cycle, the start of a rising interest rate period and end of a recovery is always going to be challenging. The skill is to avoid defaults and invest in quality resilient businesses which are sustainable in the true meaning of the word. Shareholders will be aware of our sensible income approach which focuses on large, modern day digital businesses at the lower end of investment grade, BBB and the top end of high yield, BB whilst avoiding the heavy cyclicals, analogues, small caps and structural losers. The NAV has fallen but we feel is more temporarily impaired rather than permanently lost. In this period we have underperformed the benchmark. In hindsight we had too little loans which in a relative sense performed very well, and too little lower quality high yield whilst having too much better quality, but more interest rate sensitive BBB investment grade bonds. The issue with loans is because they float over short-term interest rates they did not yield enough to justify a material part of the Company's portfolio. In addition, secured loans have financed more of the marginal and arguably lower quality issuance this cycle, compared to high yield bonds. The average quality (and credit rating) of loans has deteriorated over recent years, whereas the opposite is true for high yield bonds. We expect this deviation in quality of issuance to become apparent in time. This is the first year of using the indicative benchmark and we suggest it should be used over the long-term for sensible appraisal. In addition, and somewhat ironically, the better quality bonds, generally being longer duration performed worse than the lower quality single B and CCC bonds. In this rather bizarre period the heavily cyclicals and of course energy were the relative outperformers! So what has happened?

Sovereign bonds have sold off very aggressively due to the Federal Reserve, amongst other Central Banks having a 'volte-face' regarding inflation not being transitory. The panic that inflation may become entrenched has led to an extraordinarily aggressive and late change in monetary policy reaction function. Bond markets on both sides of the Atlantic are currently pricing in an extraordinary number of rate hikes. This panic was compounded by the exceptionally tight labour markets experienced post pandemic and many workers (particularly those of 50+ years) have chosen not to re-participate in the labour markets (the great resignation). The Ukraine war has of course heightened and extended the inflation scare via the exceptionally high oil price. The Fed was already behind the curve and saw a shrinking window of opportunity to raise rates very quickly into an already slowing economy – they were still buying Treasury and mortgage bonds in March! It is important to highlight that during this period most of the capital loss was experienced in 2022 and was due not to credit spreads widening but due to the aggressive sell off in the underlying sovereign bond (which is an important part of a corporate bond). It is only really in the period post year end that the credit spreads have widened aggressively and the worse credits have underperformed, but this is a story for next year's review.

Policy makers and companies are struggling to assess the new normal of activity post pandemic so this environment was always going to be volatile with massive swings in all economic data. Recent profits warnings from some of America's biggest retailers emphasise how many companies have over-earned, over stocked and over hired on an unsustainable basis. We are now faced with super high energy costs, a strong dollar, a very flat yield curve and slowing growth in money supply – all the ingredients necessary for a recession. We feel a hard landing is almost certain in the UK and Europe, with a less severe downturn expected in America. The bulk of the assets remain in American/global businesses. We are all grappling with the consequences of the war-like response of monetary and fiscal stimulus to boast the economies. Unfortunately, we are now in the tough medicine period – we expect the economic cycles to be shorter and more sine wave than prior periods – the COVID echo could last for some time.

Asset Allocation & Activity

We were conscious of how late cycle it felt this time last year. High yield tends to trade with vintages and the recent crop was not necessarily that bad but worth avoiding on a valuation basis alone, along with other criteria. Thus we have bought limited high yield and been especially focused on avoiding some rather large Sterling issuance namely, Morrisons, Asda and more recently Miller homes. This year we have trimmed high yield in favour of adding to select loan names and investment grade bonds. This is really a defensive trade, upping the quality whilst not jeopardising the income stream. Thus we reduced some of the higher beta names in high yield. Some notable sales include all of the high yield companies exposed to the food industry, including: Pilgrim Pride (US meat processor), Lamb Weston (US producer of frozen potato products), Post Holdings (US manufacturer of cereal products) which we think are all exposed to rising raw material costs that they will struggle to pass through to

Strategic Report: Fund Managers' Report (continued)

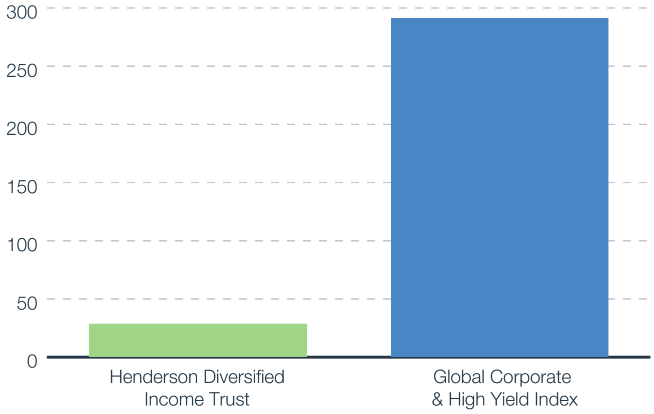
customers hence impacting profitability. In terms of activity we added names in the primary market including Clarivate Science (global software, data and analytics), Transunion (US credit reporting agency) and Ultimate Kronos Group (Human Resources SaaS provider) which fits in with our theme of modern economy companies with decent organic growth, recurring sales, and conservative balance sheets that define the sector.

The portfolio remains primarily focused around BBB and BB credit in fairly defensive sectors. To generate the income we need to be invested and to be moderately geared. We feel reasonably confident in maintaining the dividend from here accepting we are going into a much tougher environment. Gearing has been set around a level sufficient to marginally cover the dividend but no more. We have and will continue to buy back loose shares in the market if considered accretive for the shareholders.

ESG

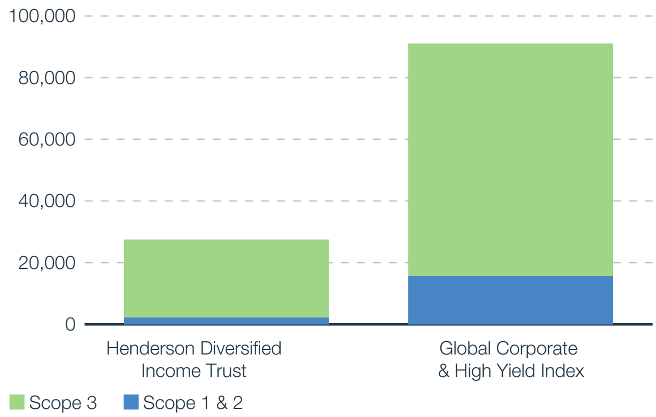
During the period a number of ESG restrictions were approved by shareholders. It is important to highlight that by adopting these restrictions there has been no material change in the investment process or strategy. We feel this is more a formal explicit clarification of our existing strategy of lending money to sustainable businesses in the true meaning of the word. Our sensible income approach has always focused on large cap, non-cyclical, reason to exist, high cashflow return on investment businesses. We focus on companies who we consider do the right thing and who are in it for the long term (playing an infinite game) and who look after all their stakeholders; that is not only respect the environment but also their employees, suppliers, bond holders and shareholders amongst others. Only these companies merit our attention and the hard earned capital of our shareholders. Many industries have not only destroyed capital over the years but have also favoured, or indeed polluted, one stakeholder over another. We have no interest in supporting such activity. Further, we have always tried to lend to companies displaying good governance and who do no harm to society. Given our 'sensible income' style bias, our investible universe is significantly reduced. This credit screening approach is demonstrated on page 33, which includes the fairly modest additional screening undertaken for ESG purposes. By starting with such a quality lens we feel we are starting from a relatively high base. The problem being, of course, it is hard to materially improve the portfolio from here, although we monitor closely using both internal and external resources. The internal and external screening process is discussed on pages 30-33 and a comparison of how this portfolio appears versus our investible universe is shown here. Our Carbon intensity is disclosed on page 24.

Carbon Intensity (tCO_2e/Mio USD Revenue)



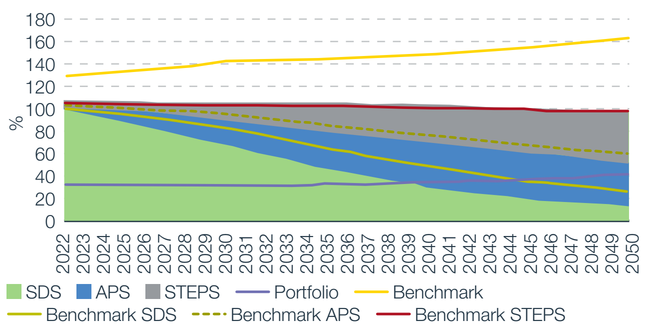
Source: ESG metrics per ISS, as of 30 April 2022. Coverage: Henderson Diversified Income Trust (76.8%) and ICE BofA Global Corporate & High Yield (96.8%)

Emissions Exposure (tCO_2e)



Source: ESG metrics per ISS, as 30 April 2022. Coverage: Henderson Diversified Income Trust plc (76.8%) and ICE BofA Global Corporate & High Yield (96.8%)

Portfolio Emission Pathway vs. Climate Scenarios Budgets



1.9°C The portfolio is associated with a potential temperature increase of **1.9°C** by 2050 versus the reference benchmark (Global Corporate & HY Index) potential temperature increase of **2.9°C** by 2050

The scenario alignment analysis compares current and future portfolio greenhouse gas emissions with the carbon budgets for the IEA Sustainable Development Scenario (SDS), Stated Policies Scenario (STEPS) and the Current Policies Scenario (CPS). Performance is shown as the percentage of assigned budget used by the portfolio and reference benchmark (Global Corporate & HY Index)
Source: ICE Bank of America, ISS, as at 30 April 2022. Coverage Henderson Diversified Income Trust plc (76.8%) and ICE BofA Global Corporate & High Yield (96.8%)

Strategic Report: Fund Managers' Report (continued)

Outlook

The outlook looks remarkably uncertain and challenging. We remain focused on securing a realistic and reliable dividend stream for our shareholders. The net asset value will remain volatile as the economic downturn progresses. This will no doubt present some opportunities and threats for shareholders.

John Pattullo, Jenna Barnard & Nicholas Ware
Fund Managers
15 July 2022

Portfolio and Financial Information

Strategic Report: Investment Portfolio as at 30 April 2022

High Yield Bonds[1]

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Virgin Media	£/$	UK	Communications	3,852	2.22
Phoenix	£	UK	Financials	3,841	2.22
Barclays	£/$	UK	Financials	3,566	2.06
Co-Operative Group	£	UK	Consumer non-cyclical	3,523	2.03
Service Corp	$	US	Consumer non-cyclical	3,327	1.92
Restaurant Brands International	$	Canada	Consumer cyclical	3,320	1.92
Direct Line Insurance	£	UK	Financials	2,808	1.62
Sirius	$	US	Communications	2,781	1.61
CPUK Finance	£	UK	Consumer cyclical	2,740	1.58
Altice	$	US	Communications	2,731	1.58
Ziggo	$	US	Communications	2,632	1.52
Ardagh	Euro/$	Ireland	Industrials	2,565	1.48
Royal Bank of Scotland	$	UK	Financials	2,481	1.43
CCO	$	US	Communications	2,116	1.22
Galaxy	£	UK	Financials	2,011	1.16
GLP	$	US	Utilities	1,909	1.10
LPL	$	US	Consumer non-cyclical	1,900	1.10
Avantor	$	US	Consumer non-cyclical	1,888	1.09
Allied Universal	$	US	Consumer non-cyclical	1,843	1.06
Yum!	$	US	Consumer cyclical	1,839	1.06
Iron Mountain	$	US	Financials	1,763	1.02
TransDigm	$	US	Industrials	1,694	0.98
DaVita	$	US	Consumer non-cyclical	1,667	0.96
HCA Healthcare	$	US	Consumer non-cyclical	1,645	0.95
Verisure	Euro	Sweden	Consumer non-cyclical	1,611	0.93
Mozart	$	US	Consumer non-cyclical	1,588	0.92
Match	$	US	Communications	1,574	0.91
Centene	$	US	Consumer non-cyclical	1,553	0.90
Crown	$	US	Industrials	1,426	0.82
Elanco	$	US	Consumer non-cyclical	1,364	0.79
Santander	£	UK	Financials	1,266	0.73
Lorca Telecom	Euro	Spain	Communications	1,192	0.69
BUPA	£	UK	Financials	1,160	0.67
UBS	$	Switzerland	Financials	1,122	0.65
Boyd	$	US	Consumer cyclical	1,114	0.64
KBC	Euro	Belgium	Financials	1,105	0.64
Chrome	Euro	France	Consumer non-cyclical	1,099	0.64
Black Knight	$	US	Technology	1,078	0.62
CSC	$	US	Communications	1,078	0.62
Vici Properties	$	US	Financials	1,045	0.60
Catalent	Euro/$	US	Consumer non-cyclical	1,045	0.60
Arches	$	US	Communications	996	0.57
Trivium	$	US	Industrials	905	0.52
IPD	Euro	Netherlands	Consumer non-cyclical	898	0.52
Burger King	Euro	France	Consumer cyclical	891	0.51
Station	$	US	Consumer cyclical	875	0.51
Laboratoire	Euro	France	Consumer non-cyclical	845	0.49
Sunshine	Euro	Netherlands	Consumer non-cyclical	821	0.47
Vertical	Euro/$	Germany	Industrials	795	0.46
RAC	£	UK	Consumer non-cyclical	777	0.45
MSCI	$	US	Technology	697	0.40
Cable One	$	US	Communications	697	0.40
Zi Tech	$	US	Technology	682	0.39
Camelot	$	US	Technology	676	0.39
WMG	$	US	Consumer cyclical	646	0.37
VMED	£	UK	Communications	613	0.35

1 Please refer to the Glossary on pages 80 to 81

Strategic Report: Investment Portfolio as at 30 April 2022 (continued)

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
ING	$	US	Financials	516	0.30
T-Mobile	$	US	Communications	512	0.30
Front Range	$	US	Communications	489	0.28
Parts Europe	Euro	France	Consumer non-cyclical	459	0.27
WP/AP Telecom	Euro	Netherlands	Communications	442	0.26
Lloyds Group	£/$	UK	Financials	434	0.25
SBA Communications	$	US	Financials	417	0.24
Crowdstrike	$	US	Technology	404	0.23
Vertiv	$	US	Industrials	392	0.23
Deutsche	$	Germany	Financials	358	0.21
Cab Selas	Euro	France	Consumer non-cyclical	352	0.20
Premier Entertainment	$	US	Consumer cyclical	313	0.18
Iheartcommunications	$	US	Communications	299	0.17
Twitter	$	US	Communications	253	0.15
Gartner	$	US	Consumer non-cyclical	224	0.13
ii	$	US	Industrials	224	0.13
Square	$	US	Consumer non-cyclical	189	0.11
Ball	$	US	Industrials	148	0.09
Atlas Luxco	$	US	Consumer non-cyclical	140	0.08
Labl Inc	$	US	Industrials	126	0.07
Lamar	$	US	Communications	121	0.07
Total High Yield Bonds				**100,488**	**58.01**

Asset Backed Securities[1]

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Tesco Property Finance	£	UK	Consumer non-cyclical	960	0.55
Total Asset Backed Securities				**960**	**0.55**

Preference Stock[1]

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Nationwide Building Society	£	UK	Financials	4,374	2.53
Rabobank	Euro	Netherlands	Financials	2,425	1.40
Total Preference Stock				**6,799**	**3.93**

1 Please refer to the Glossary on pages 80 to 81

Strategic Report: Investment Portfolio as at 30 April 2022 (continued)

Investment Grade Bonds[1]

Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Crown Castle	$	US	Industrials	3,867	2.23
Lloyds Group	£	UK	Financials	2,800	1.62
BUPA	£	UK	Financials	2,479	1.43
Anheuser	$	US	Consumer non-cyclical	2,379	1.37
Constellation Brands	$	US	Consumer non-cyclical	2,207	1.27
ING	$	US	Financials	2,084	1.20
Broadcom	$	US	Technology	2,064	1.19
Verizon Communications	AUD	US	Communications	1,857	1.07
Hasbro	$	US	Consumer cyclical	1,731	1.00
UBS	$	Switzerland	Financials	1,627	0.94
VMware	$	US	Technology	1,599	0.92
Tesco	£	UK	Consumer non-cyclical	1,514	0.87
Expedia	$	US	Communications	1,477	0.85
Dell	$	US	Technology	1,393	0.81
Axa	£	France	Financials	1,339	0.77
Bacardi	$	Bermuda	Consumer non-cyclical	1,332	0.77
Aviva	£	UK	Financials	1,231	0.71
Oracle	$	US	Technology	1,186	0.69
Magallanes	$	US	Consumer cyclical	1,102	0.64
Equinix	$	US	Financials	1,092	0.63
BNP Paribas	$	France	Financials	1,062	0.61
Scottish Widows	£	UK	Financials	1,062	0.61
Netflix	$	US	Communications	1,009	0.58
American Tower	$	US	Financials	979	0.57
T-Mobile	$	US	Communications	975	0.56
Legal & General	£	UK	Financials	974	0.56
Allianz	$	Germany	Financials	906	0.52
Keurig	$	US	Consumer non-cyclical	731	0.42
PayPal	$	US	Consumer non-cyclical	697	0.40
Royal Bank of Scotland	$	UK	Financials	683	0.40
Abbvie	$	US	Consumer non-cyclical	673	0.39
HCA Healthcare	$	US	Consumer non-cyclical	639	0.37
Sysco	$	US	Consumer non-cyclical	495	0.29
Nordea	$	Finland	Financials	358	0.21
Mylan	$	US	Consumer non-cyclical	309	0.18
Workday	$	US	Technology	286	0.17
Direct Line Insurance	£	UK	Financials	188	0.11
IFF	$	US	Basic Materials	184	0.11
Swiss Finance	$	Switzerland	Financials	159	0.09
Marriott	$	US	Consumer cyclical	88	0.05
Total Investment Grade Bonds				**48,817**	**28.18**

1 Please refer to the Glossary on pages 80 to 81

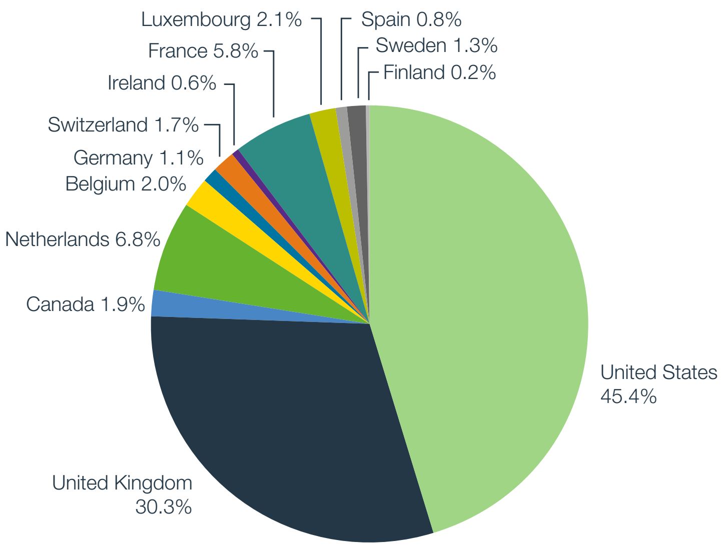
Strategic Report: Investment Portfolio as at 30 April 2022 (continued)

Secured Loans[1]

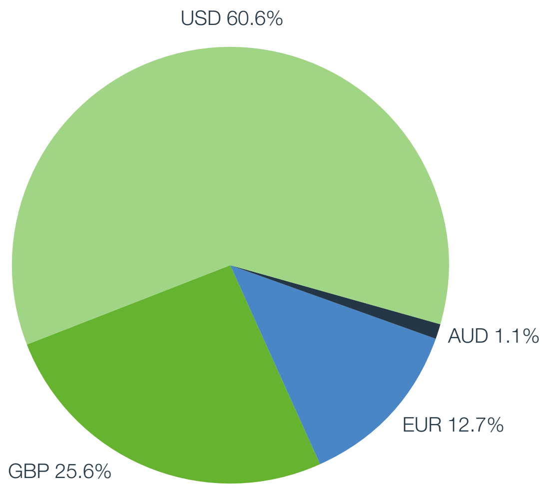
Investments by value	Currency	Country	Industry	Market value £'000	% of portfolio
Galderma	$	Luxembourg	Consumer non-cyclical	2,354	1.36
Tilney	£	UK	Financials	1,968	1.14
ION Analytics	Euro/$	US	Communications	1,844	1.06
Cloudera	$	US	Technology	1,565	0.90
McAfee	Euro/$	US	Technology	1,522	0.88
T-Mobile	$	US	Communications	1,487	0.86
IVC	£	UK	Consumer non-cyclical	1,434	0.83
UDG Healthcare	Euro/$	UK	Communications	843	0.49
BMC	Euro	US	Technology	829	0.48
LGC	$	UK	Consumer non-cyclical	785	0.45
Exact Software	Euro	Netherlands	Technology	533	0.31
IFS	$	Sweden	Financials	412	0.24
Biogroup	Euro	France	Consumer non-cyclical	404	0.23
Anticimex	$	Sweden	Consumer non-cyclical	180	0.10
Total Secured Loans				**16,160**	**9.33**
Total Investments				**173,224**	**100.00**

Portfolio Composition

Country of risk breakdown



Pre-hedging currency breakdown[2]



Source: Janus Henderson Investors, as at 30 April 2022

Credit Default Swaps[1]

Investments by value	Currency	Market value £'000
CDX REC 20/06/2027 CG CJEB – 5.0000% EUR ITRAXX-XOVER[3]	Euro	727

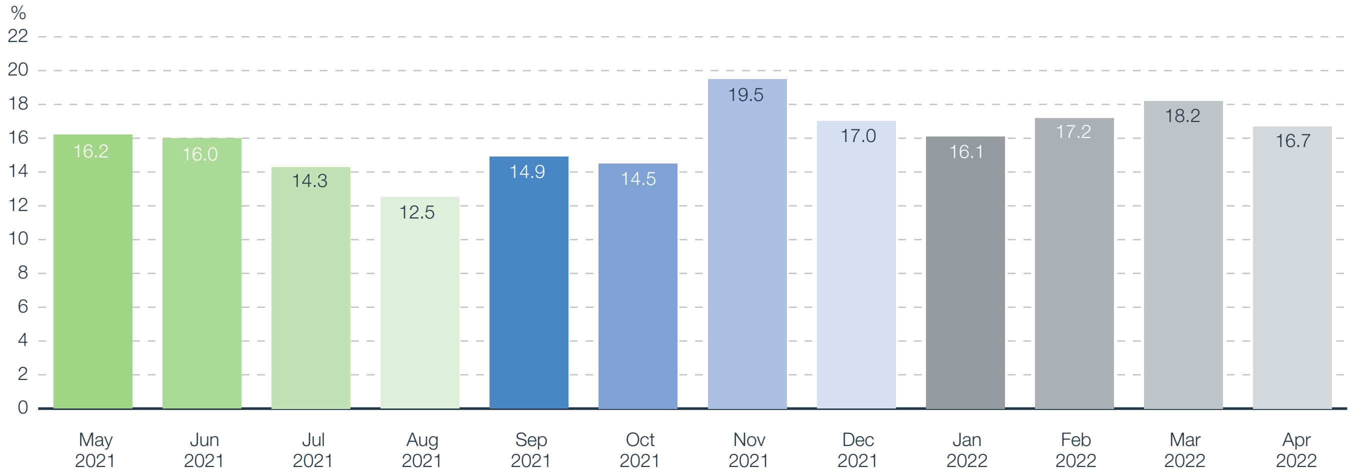
1 Please refer to the Glossary on pages 80 to 81
2 The portfolio is typically fully hedged back to sterling. Post-hedging portfolio is 99.5% hedged back to sterling. Cash & derivatives excluded from above breakdowns
3 The number above represents the net exposure of the Swap. The gross market exposure of the position is £24,254,000 and this is used in calculating the synthetic gearing

Strategic Report: Portfolio Information

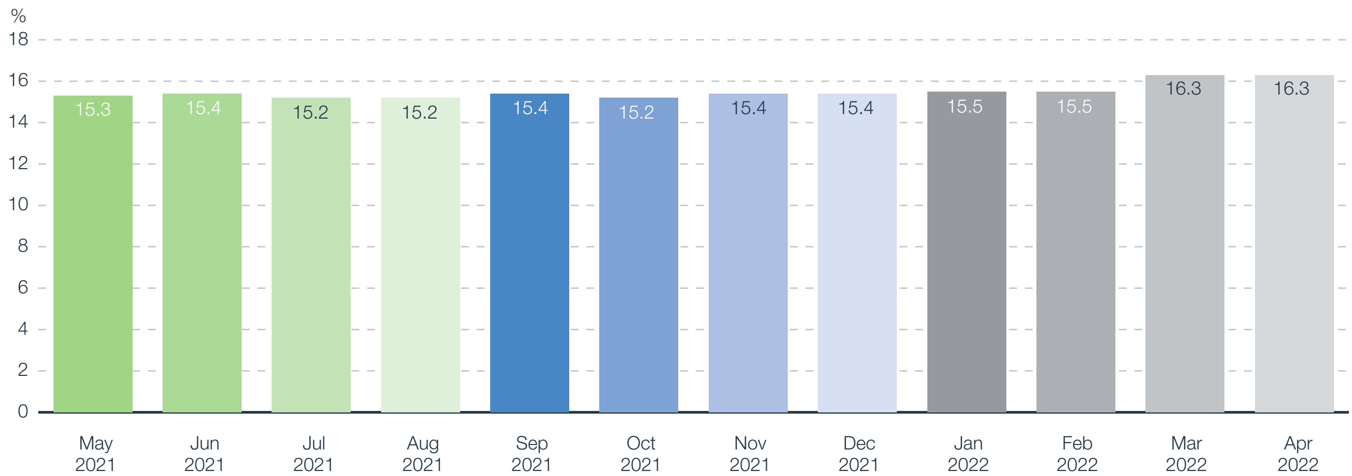
Ten Largest Investments at 30 April 2022

Ranking 2022 (2021)	Investment	Country	Industry	Market value £'000	% of portfolio
1 (1)	Nationwide Building Society	UK	Financials	4,374	2.53
2 (7)	Crown Castle	US	Industrials	3,867	2.23
3 (4)	Virgin Media	UK	Communications	3,852	2.22
4 (6)	Phoenix	UK	Financials	3,841	2.22
5 (-)	BUPA	UK	Financials	3,639	2.10
6 (11)	Barclays	UK	Financials	3,566	2.06
7 (5)	Co-Operative Group	UK	Consumer non-cyclical	3,523	2.03
8 (16)	Service Corp	US	Consumer non-cyclical	3,327	1.92
9 (15)	Restaurant Brands International	Canada	Consumer cyclical	3,320	1.92
10 (9)	Lloyds Group	UK	Financials	3,234	1.87

Financial Gearing Levels to 30 April 2022



Synthetic Gearing Levels to 30 April 2022



Source: Janus Henderson Investors

Strategic Report: Historical Performance and Financial Information

Total Return Performance

	1 year %	3 years %	5 years %
NAV[1]	-9.0	+6.1	+12.9
Share price[2]	-10.4	-4.2	+4.1
Benchmark[3]	-7.0	+3.3	+10.0

Source: Morningstar
1 Net asset value (NAV) total return (including dividends reinvested)
2 The share price total return using mid-market closing price
3 60% Global High Yield Credit (ICE Bank of America Global High Yield Constrained Index), 25% Global Investment Grade Corporate Credit (ICE Bank of America Global BBB Corporate Bond Index) and 15% European Loans (Credit Suisse Western European Leveraged Loan Index). The revised benchmark was adopted on 16 September 2021, following shareholder approval at the AGM

Financial Information

Date	Net assets £'000	NAV p	Share price p	Premium/(discount) %
30 April 2017[4]	162,768	89.3	91.3	2.2
30 April 2018	165,799	87.4	91.8	5.0
30 April 2019	164,618	86.8	90.8	4.6
30 April 2020	162,624	85.0	83.0	(2.4)
30 April 2021	175,720	91.9	88.0	(4.2)
30 April 2022	**148,417**	**79.6**	**73.8**	**(7.2)**

4 Financial information for 30 April 2017 is sourced from the Association of Investment Companies as the Company's reporting period changed during that period

Dividend History

Date	Pence per share
Period 1 November 2016 to 30 April 2018[5]	7.05
Year to 30 April 2019	4.40
Year to 30 April 2020	4.40
Year to 30 April 2021	4.40
Year to 30 April 2022	**4.40**

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

Business Model

Strategic Report: Business Model

Purpose and Strategy

The Company's purpose is to provide shareholders with a high level of income whilst at the same time preserving capital growth over the long-term.

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

Investment strategy is delegated to the Manager within the parameters determined by the Board and approved by shareholders.

Investment Objective and Policy

The Company's investment objective and policy is set out below.

Investment Objective

The Company's investment objective is to provide shareholders with a high level of income and preservation of capital, through the economic cycle.

Investment policy

The Company invests in a diversified portfolio of global fixed income and floating rate asset classes. The Company uses a dynamic approach to portfolio allocation across asset classes and is permitted to invest in a single asset class if required. The Company seeks a sensible spread of risk at all times.

Asset Allocation

The Company has adopted the following allocation limits for each asset class:

- secured loans 0 to 100% of gross assets
- government bonds 0 to 100% of gross assets
- investment grade bonds 0 to 100% of gross assets
- high yield (sub-investment grade) corporate bonds 0 to 100% of gross assets
- unrated corporate bonds 0 to 10% of gross assets
- asset backed securities 0 to 40% of gross assets
- high yielding equities 0 to 10% of gross assets

As a matter of policy, the Company will not invest more than 10% in aggregate of its net assets in a single corporate issue or issuer.

The Company has adopted the following investment restrictions:

- The Company will not make any direct investments in corporate issuers who derive more than 10 per cent. of their revenue from oil and gas generation and production, oil sands extraction, shale energy extraction, thermal coal extraction and power generation, and Arctic oil and gas extraction.
- The Company will not make any direct investments in corporate issuers that the Board, as advised by the investment manager, deems to have failed to comply with the United Nations Global Compact principles.
- The Company will not directly invest in sovereign bond issuers that have been sanctioned by the European Union or United Nations and/or that do not score 'free' by the Freedom House Index (or other such similar index as determined by the Board as advised by the investment manager) that promotes political rights and civil liberties.
- The Company will not make any direct investments in issuers who derive any of their revenue from the production or distribution of fur or from the production or distribution of controversial weapons.

Derivatives

The Company may use financial instruments known as derivatives to enhance returns. They may also be used to reduce risk or to manage the Company's assets more efficiently. The use of derivatives may include credit derivatives (including credit default swaps) in addition to interest rate futures, interest rate swaps and forward currency contracts. The credit derivatives, interest rate futures and swaps are used to take a synthetic exposure to, or to hedge, an investment position where the derivative contract is more efficient or cost effective than a position in the underlying physical asset. The Company's exposure to derivatives is capped at a maximum net long or net short position of 40% of net assets.

Gearing

The Company may also employ financial gearing for efficient portfolio management purposes and to enhance investment returns, but total gearing (both financial gearing and synthetic gearing combined) may not exceed 40% of net assets. Forward currency contracts are used to hedge other currencies back to sterling.

Any material change to the investment policy of the Company will only be made with the approval of shareholders.

It is the Company's policy to invest no more than 15% of its total assets in other listed closed-ended investment funds. Accordingly, the Company's shares are an eligible investment under LR 15.2.5 (R) for other listed closed-ended investment funds.

Company Structure

The Company operates as an investment company with a Board of directors (Board) who delegate investment and operational matters to specialist third-party service providers. Their performance is monitored and challenged by the Board who retain oversight of the Company's operations. The Board is comprised entirely of non-executive directors accountable to shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company. The Company and the Board are governed by the Articles of Association, amendments to which must be approved by shareholders by way of a special resolution. The Company is not a close company.

The framework of delegation provides a cost-effective mechanism for achieving the Company's objectives under section 1158/9 of the Corporation Tax Act 2010 (s.1158/9).

Strategic Report: Business Model (continued)

The closed-ended nature of the Company enables the Fund Managers to take a longer term view on investments. It also supports a fully invested portfolio as the Company does not have to maintain or create sufficient cash balances to satisfy investor redemptions.

The Company's shares are listed on the Main Market of the London Stock Exchange and the Company is subject to the Listing Rules, Prospectus Rules and the Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority (FCA).

Investment trusts have two significant advantages over other investment fund structures: firstly, the ability to pay dividends out of revenue reserves to support the provision of income to shareholders, as necessary, and secondly, the ability to borrow to increase potential returns for shareholders.

Income

The investment objective underpins the Company's dividend policy, which is to pay quarterly interim dividends. When deciding on whether to pay each quarterly interim dividend, the Board has regard to the current and the forecast levels of income.

Borrowings

On 13 August 2020 the Company entered into a 1-year loan facility with BNP Paribas Securities Services (BNPPSS) which allows it to borrow up to £45.5 million (£35.5 million with an additional £10.0 million commitment being available). On 1 July 2021 the Company agreed a 1-year extension to its loan facility which expired on 30 June 2022. On 1 July 2022, the Company entered into a new 2-year loan facility with BNPPSS, which allows it to borrow up to £45.5 million (£35.5 million with an additional £10.0 million commitment available), which expires on 30 June 2024.

At 30 April 2022 the Company had drawn down £31.5 million (2021: £26.1 million. The maximum amount drawn down in the year was £38.0 million (2021: £33.3 million), with borrowing costs including interest for the year totalling £344,000 (2021: £332,000).

Benefits

The Company's business model offers numerous advantages:

- it provides investors with access to a professionally and actively managed portfolio of assets;
- it enhances returns to investors by operating as an approved investment trust meaning no capital gains tax is paid on the realisation of investments;
- the closed-end structure allows the Fund Managers to take a longer term view on investments and remain fully invested;
- the ability to use leverage to increase returns for investors; and
- oversight by a Board of directors wholly independent of the investment manager.

Section 172(1) Statement

The statutory duties of the directors are set out in ss.171-177 of the Companies Act 2006. Under s.172, directors have a duty to promote the success of the Company for the benefit of its members (shareholders) as a whole and in doing so have regard to the matters set out in s.172(1), which include the consequences of any decision in the long-term and the interests of the Company's stakeholders, amongst other considerations. The fulfilment of this duty not only helps the Company achieve its investment objective but ensures decisions are made in a responsible and sustainable way for its shareholders and wider stakeholders.

Principal Decisions

The directors take into account the s172 considerations in all material decisions of the Company. Examples of this can be seen in the year under review as follows.

Transition to Article 8 under the Sustainable Finance Disclosure Regulations

In the light of the introduction of new EU rules relating to the introduction of sustainability-related disclosures, the Board discussed with the Investment Manager the various ways in which Environmental, Social and Governance ('ESG') matters are integrated into the Company's portfolio construction and investment processes. Since the Investment Manager already sought to incorporate certain guiding principles in constructing the Company's portfolio in a manner that promotes the application of greenhouse gas emissions ('GHG') intensity related criteria, political rights and civil liberties and support for the UN Global Compact ('UNGC') principles, the Board proposed a second amendment to the Company's investment objective and policy to incorporate formally some of these principles which was approved by shareholders at a General Meeting held on 25 February 2022. Full details of the investment objective and policy are on page 19.

Buying Back the Company's Shares

Please refer to the Chairman's Statement on page 5 and Share Capital on page 76 for further details.

Dividends Paid to Shareholders

The Board recognises the importance of income to its shareholders and are pleased to report that it was able to approve the payment of a covered dividend of 4.40p per share in total for the year under review.

Values and Culture

As the Company has no employees, the culture of the Company is embodied in the Board. The Board has a strong commitment to consultative and collaborative engagement with stakeholders. The Board prioritises diversity and inclusion, treating colleagues and shareholders with respect, and ensuring the directors remain open-minded about, and available to discuss concerns, challenge and enquire about the operation of the Company.

Strategic Report: Business Model (continued)

Engagement and Communication with Stakeholders

The following tables set out the Company's key stakeholders and how the directors and/or the Manager have engaged and communicated with them in the year under review.

Janus Henderson/Manager

Why is it important to engage with the Manager?	The Board is responsible for effectively monitoring the services provided by the Company's third-party suppliers on an ongoing basis. The principal outsourced arrangement is the investment management service which is provided by Janus Henderson. As the Manager holds the overall day-to-day relationship with the Company's other third-party suppliers the Board places reliance on the Manager in this regard.
How do directors and/or the Manager engage?	The Board receives timely and accurate information from the Manager at meetings and engages with the Fund Managers and Corporate Secretary regularly between meetings.
	The Fund Managers, Corporate Secretary and Head of Investment Trusts attend each Board meeting to discuss the portfolio, performance, governance and other matters. Other representatives of the Manager are available to attend when relevant and/or appropriate e.g. risk, internal audit, compliance, sales and marketing.
What were the key topics of engagement and what feedback was received?	Following discussion with the Manager, the Board agreed that the Company would transition to an Article 8, 'Light Green' fund under the Sustainable Finance Disclosure Regulations ('SFDR').
What has been the impact of the engagement?	The Company has transitioned to Article 8 status. Please see the disclosure on page 23.

Shareholders/potential investors

Why is it important to engage with shareholders/ potential investors?	Directors have a statutory duty to promote the success of the Company for the benefit of its members (shareholders) as a whole. Continued shareholder support is crucial to the continued existence of the Company.
How do directors and/or the Manager engage?	The Board communicates with shareholders through the annual and half year reports, fact sheets and the website. In normal circumstances the Board meets with shareholders at the AGM and shareholders are invited to attend online if they cannot attend in person. There is also a presentation from the Fund Managers and Q&A session before the formal business of the AGM begins.
	The Company contributes to a focused investment companies marketing programme operated by the Manager on behalf of all the investment companies under its management. This enables some economies of scale as well as allocation of funds to support specific marketing activities for the Company. The Manager also co-ordinates public relations activity to promote the Company's strategy and outlook and raise the Company's profile with a broader range of potential new shareholders. The Manager works with J. P. Morgan Cazenove (Stockbroker) to plan meetings with shareholders and find speaking opportunities for the Fund Managers.
What were the key topics of engagement and what feedback was received?	Three key topics discussed with shareholders in the year under review were: 1. Liquidity 2. Dividend maintenance 3. Discount volatility As a result of this feedback the Board will consider the Company's marketing strategy in detail at the next strategy meeting with input from the Stockbroker and Janus Henderson.
What has been the impact of the engagement?	The Company is adapting its marketing strategy to focus on retail investors, as it recognises the liquidity issues its size creates for larger shareholders/wealth managers who are generally constrained by internal compliance rules. Please also refer to 'Dividends paid to shareholders' and 'Buying back the Company's shares' on page 20 for more detail about the impact of the engagement with shareholders/potential investors.

Strategic Report: Business Model (continued)

Service Providers

Why is it important to engage with service providers?	The Board is responsible for effectively monitoring the services provided by the Company's third-party suppliers on an ongoing basis.
How do directors and/or the Manager engage?	The Board reviews and monitors the arrangements in place with all the Company's third-party service providers at least annually. As the Manager manages the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Manager in this regard and is confident that the Manager has developed and maintains good working relationships with them. The Manager provided information and assurances to the Board at the beginning of the pandemic to confirm that all its employees (including the Fund Managers) could work from home without disruption to 'business as usual' and has continued to confirm that this remains the case. The Manager also contacted all the Company's third-party service providers to obtain similar confirmations, which were subsequently communicated to the Board.
What were the key topics of engagement and what feedback was received?	The Board meets with representatives of the Depositary and Custodian, and other service providers, as and when it is deemed necessary. J. P. Morgan Cazenove (Stockbroker), Marten & Co (Sponsored Research), Computershare (Registrar) and BNPPSS (Depositary) have previously been asked to provide a self-assessment covering value for money for the service provided and confirmation of adherence to the terms and conditions throughout the period. Janus Henderson also checked that each service provider had appropriate corporate governance and environmental, social and governance policies, processes and procedures in place.
What has been the impact of the engagement?	The Board were satisfied that high standards are maintained and that the internal control and risk management framework is operating effectively at Janus Henderson and the other service providers.

Stockbroker

Why is it important to engage with the Stockbroker?	The Stockbroker facilitates the issue and buy-back of the Company's shares to meet market demand and advises the Board on industry matters. The Stockbroker is therefore important in promoting the success of the Company.
How do directors and/or the Manager engage?	A representative of the Stockbroker attends each meeting to discuss a bespoke report covering topics such as discount/premium to net asset value, peer group activity and performance and opportunities for growth.
What were the key topics of engagement and what feedback was received?	The Stockbroker advised the Board on liquidity in the Company's shares, and, in particular, how the persistent discount to net asset value at which the Company's shares trade might be addressed. The Stockbroker also undertakes a quarterly analysis of the share register and highlights changes/trends to the Board.
What has been the impact of the engagement?	The Company is adapting its marketing strategy to focus on retail investors as it recognises the liquidity issues its size creates for larger shareholders/wealth managers who are generally constrained by internal compliance rules. A targeted buyback programme was put in place in order to try and reduce the discount.

Lender

Why is it important to engage with the lender?	One of the advantages of the investment trust structure over an open-ended fund is the ability to use gearing to enhance returns for shareholders. The Company's loan facility with BNPPSS assists the Company in meeting its shareholders' income requirements.
How do directors and/or the Manager engage?	In the year under review the Board considered indicative quotes from potential lenders and agreed to renew the loan facility with BNPPSS in May 2022 (to replace the previous facility), for a two year term as the Board concluded that this was in the best interests of the Company and its shareholders. The Manager engaged with BNPPSS to ensure the facility agreement ran effectively from an operational and legal perspective.
What were the key topics of engagement and what feedback was received?	The Company's previous facility with BNPPSS expired on 30 June 2022. In seeking renewal quotes, the Board sought to improve the rates offered by the incumbent lender, and therefore were able to renew on suitable terms.

Strategic Report: Business Model (continued)

Lender

What has been the impact of the engagement?	The new two-year loan facility became effective on 1 July 2022 and will expire on 30 June 2024. The new facility has been entered into on better commercial terms and rates than were originally offered.

Auditors

Why is it important to engage with the Auditors?	Shareholders rely on Auditors to independently verify the Company's financial statements and form a view on the going concern and viability statements contained therein. Mazars LLP (Mazars) were first appointed by shareholders at the 2020 AGM to conduct the audit for the year ended 30 April 2021.
How do directors and/or the Manager engage?	The Audit Committee considered the proposed audit plan from Mazars in December 2021 and agreed that the key audit matters for the year ended 30 April 2022 should be a) management override of controls, b) revenue recognition and c) valuation of investments.
What were the key topics of engagement and what feedback was received?	The Audit Committee Chairman, alongside the Corporate Secretary and the Financial Reporting Manager for Investment Trusts, held an audit planning meeting with Mazars ahead of the 2022 financial year end. Discussions centred around the proposed changes to the investment objective and policy, financial performance and updates, the going concern assessment, confirmations that the parties were not aware of any fraud or fraudulent activity and timeframes for completion of the audit.
What has been the impact of the engagement?	Mazars produced a high quality and satisfactory audit plan that was carried out effectively and efficiently. As a result, the Audit Committee recommended to the Board that Mazars be reappointed as the Company's Auditors for the year ended 30 April 2023. Please refer to the Report of the Audit Committee on pages 42 to 44 for further details.

Arrangements with the Manager

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive. The Company has appointed Janus Henderson Fund Management UK Limited ('JHFMUK' (formerly called Henderson Investment Funds Limited)) to act as its Alternative Investment Fund Manager (AIFM) in accordance with an agreement which has been effective from March 2017 and is terminable on six months' notice. JHFMUK delegates investment management services to Janus Henderson Investors UK Limited (formerly Henderson Global Investors Limited), which acts as Manager. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson. Both entities are authorised and regulated by the FCA. References to Janus Henderson and the Manager within this report refer to the services provided by both entities.

The fund management team is led by John Pattullo, Jenna Barnard and Nicholas Ware.

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

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

Management Fee

Janus Henderson receives a management fee of 0.65% per annum, calculated and paid quarterly in arrears on the value of the Company's net assets.

Reporting under the EU Sustainable Finance Disclosure Regulation

Pursuant to Article 11 (*Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports*) of the EU Sustainable Finance Disclosure Regulation ('SFDR') (Regulation (EU) 2019/2088), the Investment Manager is required to provide a description of the extent to which environmental or social characteristics have been met with reference to the Company providing disclosures pursuant to Article 8(1) of SFDR from 25 February 2022. Please see this information disclosed below in respect of the Company.

During the reporting period from 25 February 2022 to 30 April 2022, the Company promoted its environmental and social characteristics through the application of criteria related to greenhouse gas emissions intensity, political rights and civil liberties, support for UNGC Principles and exclusionary screening of issuers based on their involvement in certain activities. During the reporting period:

- The Company has not made any direct investments in corporate issuers that derive more than 10% of their revenue from oil and gas generation and production, oil sands extraction, shale energy extraction, thermal coal extraction and power generation, and Arctic oil and gas extraction.
- The Company has not made any direct investments in corporate issuers that derive any of their revenue from the production or distribution of fur or from the production or distribution of controversial weapons.
- The Company has not made direct investments in corporate issuers that failed to comply with the UNGC principles.

Strategic Report: Business Model (continued)

- The Company has not directly invested in sovereign bond issuers that have been sanctioned by the European Union or United Nations and/or that do not score 'free' by the Freedom House Index.
- The Company has not invested in sovereign bond issuers that have not ratified the Paris Agreement.
- As at 30 April 2022 the carbon intensity of the corporate bond portion of the portfolio was 28.66 tCO_2e/Revenue compared to 291.24 tCO_2e/Revenue for the reference investment universe (ICE BofA Global Corporate and High Yield Index). ISS Coverage: Portfolio 76.8%, Benchmark 96.8%

Please note that reporting on the environmental and social objectives promoted by the Company will be enhanced over time as data availability improves as well as to reflect changes to the investment strategy of the Company.

Managing Risks

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

The Company is an investment trust and the Board is wholly non-executive. The Board has delegated many of its functions to third-party service suppliers including Janus Henderson and BNPPSS. However, certain risks and functions cannot be delegated and are retained by the Board.

The following summary identifies those risks and uncertainties that the Board believes are the most significant and explains whether, and if so how, they are mitigated. This reflects the Company's risk map.

The Board has analysed risk from the perspectives of the markets in which it invests and its operations.

Principal Market Risks

The Board has agreed with the Manager that it seeks to provide shareholders with a high level of income and preservation of capital, through the economic cycle. To achieve this the Fund Managers identify risk assets that they believe adequately compensate the Company for the risks that arise. The Board has set limits on the class of debt and equity assets that may be utilised by the Manager and given permission for the Manager to leverage the portfolio through significant on balance sheet and synthetic gearing. As a result investors are exposed to a number of risks which are not mitigated and may give rise to gains and losses which may be significant.

The Board is conscious that predictable dividend distributions are particularly important to shareholders. Dividends are principally declared from net revenue income although the Board does have the power to declare dividends out of capital.

Net revenue income arises in the main from seeking interest rate and credit returns from investments. The selection of such investments is based on the judgment of the Fund Managers as to current and expected market conditions. The Board believes that the principal market risks (set out below) faced by the Company and its shareholders arise from interest rate, credit and currency risks.

Market risk	Mitigation
Interest rate risk The Company takes on interest rate risk so as to deliver portfolio returns. Reductions in market interest rates will reduce gross and net revenue income and this effect may be amplified by the use of leverage. Such falls may be mitigated for a period if the Company has invested in longer term fixed rate assets prior to such market movements. The Company invests in secured loans. Whilst such secured loans may contain fixed interest rates, they may also contain prepayment provisions that reduce their effectiveness at mitigating interest rate risk. Increases in market interest rates can reduce net asset value if interest rates rise whilst holding fixed rate assets of longer duration. Interest rate risk also arises from an investment in interest rate derivatives and the use of rolling forward foreign exchange contracts.	The Board has not set any limits on the amount of interest rate risk that may be taken by the Manager other than to limit the gross on balance sheet and synthetic leverage to 40% of net assets. The Board discusses interest rate risk with the Fund Managers at each Board meeting and probes their assessment of market conditions and their judgment as to the direction of interest rates and speed of development. The Board receives a projection of net income on a monthly basis and probes the income realised to date and forecast to the financial year end. The Board receives a list of the assets in the portfolio which contains details of interest rates and periods to maturity at each Board meeting. The Board supports the use of interest rate derivatives to increase, as well as manage and mitigate interest rate risk. The interest rate risk profile of the portfolio as at the year end is set out in Note 14.1.3 to the financial statements on pages 71 to 72.

Strategic Report: Business Model (continued)

Market risk	Mitigation
Credit risk The Company takes on credit risk so as to deliver portfolio returns. Investing in debt securities and secured loans exposes the Company to credit risk from company defaults and restructurings. Whilst it may be possible to hold a debt instrument to maturity, and be paid out in full, the Fund Managers have discretion to sell a distressed asset which would give rise to realised losses without a default having occurred. Reductions in credit spreads will reduce gross and net income and this effect may be amplified by leverage. Reductions in spreads may also reduce the availability of assets which the Manager believes would appropriately compensate the Company and its shareholders for the credit risk assumed leading to reduced flexibility if the portfolio needs to be repositioned. The Company is also exposed to counterparty credit risk through the use of derivatives.	The Board has not set any limits on the credit quality of the portfolio. The Board relies on the Fund Managers to make investment decisions in this regard given the level of skill and experience in debt securities and secured loan lending within the fund management team. The Board receives a report of the assets held in the portfolio at each Board meeting and discusses credit quality and default trends with the Fund Managers. The credit rating table for the portfolio at the year end is disclosed in Note 14.3 to the financial statements on page 74.
Currency risk The Company invests in assets of fixed amounts denominated in currencies other than sterling which give rise to currency risk. Significant gains and losses would likely be incurred on the liquidation of such assets when repatriating capital to sterling. Less significant gains and losses are incurred on repatriating interest and other income to sterling. The Custodian undertakes a rolling programme of forward sales of foreign currency which gives rise to elements of interest rate risk and credit default risk with the counterparty.	The Board has set a requirement that the capital amount of any investment denominated in a foreign currency be hedged to sterling so as to mitigate currency gains and losses. The Board receives a report of gross and hedged currency positions at each Board meeting so it can monitor the level of hedging actually undertaken. Gross and net hedging currency exposures are set out in Note 14.1.2 to the financial statements on pages 70 to 71.

Principal Operational Risks

In terms of operational risk, the Board has determined that the principal risks arise from its relationship and management of third-party service suppliers and from the nature of the activities of the Company to the degree that they are unusual when compared to other investment trusts.

Operational risk	Mitigation
Continued interest and commitment of Jenna Barnard, John Pattullo and Nicholas Ware as Fund Managers Jenna and John have directed the portfolio since its launch, Nicholas being appointed as co-manager from 1 January 2022 and the portfolio reflects their assessment of current economic conditions and likely market opportunities and developments. It may prove difficult to replace any or all of them should they decide to step down or if Janus Henderson allocates them to alternative funds under management. Any replacements may have a different style and different view of how the benchmark return may best be met.	The Board has an extensive and ongoing dialogue with Jenna, John and Nicholas on a quarterly basis and seeks to ensure that they remain interested and committed to the portfolio. The Board discusses this risk regularly with Janus Henderson management and seeks to ensure that Jenna, John and Nicholas remain allocated to the portfolio and are appropriately rewarded for their services.

Strategic Report: Business Model (continued)

Operational risk	Mitigation
Continued interest and commitment of Janus Henderson as Investment Manager and its operation of effective systems of internal control and management reporting (and execution and settlement of secured loans) The Board appointed Janus Henderson as its Manager at inception and the Group has supported shareholders since listing the predecessor company. The Board benefits from the extensive knowledge and experience of Janus Henderson who manage a substantial portfolio of investment trusts and the economies of scale from contracting with other investment trusts for services. The Board relies on the knowledge and expertise of Janus Henderson in ensuring that the Company complies with all relevant laws and regulations which include company law, securities legislation, data protection, anti-bribery and corruption and anti-tax evasion legislation. It may prove difficult to replace the Manager with an alternative provider that would bring the same knowledge, experience and economies of scale should Janus Henderson decide to exit the investment trust business or to cease trading.	The Board has a regular dialogue with representatives of Janus Henderson about their support for the Company and annually assesses their performance to ensure that economies of scale and other benefits from the relationship are in fact being delivered. The Board receives regular reports on compliance with laws and regulations and receives regular updates as new legislation is enacted. The Board receives an annual report on internal controls in operation at Janus Henderson and is promptly made aware of any compliance failings and how they are remediated. The Board also receives an annual report on internal controls at BNPPSS in respect of its collateralized loan obligations and loan administration services and is promptly made aware of any compliance failings and how they are remediated. On an annual basis the Board reviews the quality of the service it has received and any issues and provides feedback to Janus Henderson.
ESG reputational risk The Company has transitioned to Article 8 status under SFDR. Decisions on ESG matters can be subjective and criteria may change as knowledge, technology and science evolves. There is a risk that an investment, assessed as appropriate at a point in time, subsequently does not meet ESG criteria, and exposes the Company to reputational risk.	The Company's ESG criteria are considered to be sufficiently clear and measurable. These criteria and the Company's adherence to them are monitored and reviewed on a regular basis. Should the Board or the Manager consider it appropriate to review or alter the criteria, this would be considered on a case by case basis against known factors prevailing at the time.
Reliance on credit standing and quality of service of BNPPSS/BNP Trust Corporation UK (BNPTCo) as the appointed Depositary and Custodian of assets and their execution and settlement of transactions (other than secured loans) The Board has appointed BNPPSS as its Depositary. BNPPSS acted as Depositary throughout the year under review. This agreement is due to be novated to BNPTCo later in 2022. As Depositary BNPPSS acts as the Company's investment Custodian, with responsibility for transaction execution and settlement. This responsibility will transfer to BNPTCo. The Company was/is reliant on BNPPSS/BNPTCo operating effective systems to ensure the Company's transactions are undertaken promptly, that they are properly recorded, that assets are kept segregated from those of other clients, and that the credit rating of either BNPPSS or BNPTCo does not deteriorate or the custodian fails such that assets are not immediately recoverable.	The Board assessed the credit standing of BNPPSS on a regular basis and keeps aware of market commentary should adverse events and circumstances begin to appear and will perform the same assessments in respect of BNPTCo. The Board received an annual report on internal controls in operation at BNPPSS (Fund Administration, Global and Local Custody, Middle Office Functions and Collateralized Loan Obligations), will receive the same in respect of BNPTCo and would be made aware promptly of any compliance failings and how they are remediated. On an annual basis the Board reviewed the quality of the service received by BNPPSS Depositary and Custodian and discusses any issues. The same reviews will be carried out in respect of BNPTCo going forward.

Strategic Report: Business Model (continued)

Operational risk	Mitigation
Reliance on service providers to manage and control certain features of the portfolio The investment portfolio contains certain assets and liabilities (that are not present in most investment trusts) that require specific procedures and internal controls to be present for the Company, as follows: The Company invests in secured loans which are individually documented and require additional systems and controls to manage. The Company uses forward foreign exchange contracts to hedge currency exposure and may use future interest rate agreements to manage interest rate risk which require specialised reports to be produced to monitor net risks. The Company has borrowed funds and given covenants to the lender regarding certain ratios which require monitoring to ensure they are met.	The Board receives a regular report on net income earned to date and a projection of net income to the end of the year. The Board uses this to obtain comfort that the portfolio and its risks are being managed as intended. It also receives a monthly investment limits and restrictions schedule that confirms that the Manager has complied with the Board set investment limits and restrictions each month that includes borrowing covenants. On a quarterly basis the Board receives and reviews detailed reports with Janus Henderson including: • balance sheet • income statement • asset listing including purchases and sales • revenue forecast • gross and net currency position

Conflict in Ukraine and COVID-19

The Board have assessed how the ongoing impact of the conflict in Ukraine and of the COVID-19 pandemic may impact the Company's principal market and operational risks and concluded that the Company is remarkably resilient to these risks.

Emerging Risks

The Board have defined emerging risks as 'known unknowns' and have concluded that the existing principal market and operational risks capture sufficiently the risks faced by the Company.

Viability Statement

The Company seeks to provide shareholders with a high level of income and preservation of capital, through the economic cycle. The Board aims to achieve this by pursuing the Company's business model and strategy through its investment objective and policy. The current investment objective and policy is set out in full on page 19. Please also refer to the Chairman's Statement on page 5.

The Board will continue to consider and assess how it can adapt the business model and strategy of the Company to ensure its long-term viability in relation to the principal risks as detailed above.

In assessing the viability of the Company, the Board also considers the prospects of the Company including the liquidity of the portfolio (which is mainly invested in readily realisable listed securities), the level of borrowings (which are restricted), the closed-ended nature as an investment company (therefore there are no liquidity issues arising from unexpected redemptions) and a low ongoing charge (0.91% for the year ended 30 April 2022 (2021: 0.93%)).

The Company retains title to all assets held by the Custodian under the terms of the formal agreement with the Depositary, cash is held with approved banks and revenue and expenditure forecasts are reviewed monthly by the Board.

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

When assessing the viability of the Company over the next three years the directors have considered its ability to meet liabilities as they fall due. This included consideration of the principal risks as set out above, covenant levels on the loan facility, the cash flow forecast to meet dividend flow and liquidity of the portfolio.

The directors continue to support the Fund Managers investment strategy.

The directors consider the COVID-19 pandemic to have highlighted the advantages of holding an investment trust. The directors do not envisage that any change in strategy or investment objective, or any events, would prevent the Company from continuing to operate over the next three years as the Company's assets are liquid, its commitments are limited, and the Company intends to continue to operate as an investment trust. The Board takes comfort in the robustness of the Company's position, performance, liquidity and the well-diversified portfolio designed by the Fund Managers. The Board is confident that the Company is well equipped to navigate this uncertain inflationary environment and therefore has a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due up to and including the year ended 30 April 2025.

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 consider a number of Key Performance Indicators (KPI's), as detailed below. Please refer to the Performance Highlights on pages 2 to 3 for details on specific performance.

Strategic Report: Business Model (continued)

Total Return Performance

The Board reviews and compares the performance of the portfolio as well as the NAV, benchmark and share price of the Company at each Board meeting.

Income

At each Board meeting, the directors examine the revenue forecast and consider yield on the portfolio and the amount of income available for distribution. It also monitors the level of net income received in support of the Company's future dividend payments which are made as interest distributions. The Board receives the revenue forecast on a monthly basis and therefore has regular oversight of the amount of income available for distribution.

Discount/Premium to NAV

At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV per share (including income). The Board considers the use of share buy-backs to enhance shareholder value where appropriate. Shares would only be purchased at a price below the prevailing NAV per share, thereby increasing the NAV per share of the remaining shares. The Board also considers the issuance of new shares, but only when there is unfulfilled demand, they trade at a premium to NAV, and the cost of such issuance is included in the price paid for the new shares, such that there is no detriment in terms of total return to existing shareholders. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the Association of Investment Companies ('AIC') formula.

Ongoing Charge

The Board regularly reviews the ongoing charge and monitors costs that impact the Company's distributable revenue.

Board Diversity

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

The Board recognises the benefits of diversity and therefore takes an interest in the diversity initiatives in place at its other service providers and, in particular, the Manager. Janus Henderson fosters and maintains an environment that values the unique talents and contributions of every individual. The Manager strives to cultivate and practice inclusiveness for the long-term success of the business and for the benefit of its employees, clients, investors and shareholders.

On behalf of the Board

Angus Macpherson
Chairman
15 July 2022

The Strategic Fixed Income Team's ESG Approach and Integration

The Strategic Fixed Income Team's ESG Approach and Integration

As a team, we actively seek out quality companies to allocate our clients' capital to and we embrace issuers that maintain a strong environmental, social and governance (ESG) profile. It is our belief that a company will only continue to grow and do well if it genuinely looks after all of its stakeholders – i.e. employees, customers, suppliers, bondholders, shareholders and wider society, including the environment. This is the broadest definition of 'sustainable' in our minds.

Over time, a business which is neither sustainable nor resilient will inevitably fail for some or all of its stakeholders. Investing in better managed companies from an ESG perspective allows us to gain exposure to more resilient business models, more sustainable cash flows and places us in the best position to deliver superior risk adjusted returns for our clients over the long-term.

We embrace companies that strive to maintain a strong ESG profile.

ESG Approach

It is our role as stewards of our clients' capital to understand all potential impacts on a security's investment returns, of which ESG issues are a key component. Assessing ESG considerations can help inject new and forward-looking insights into the investment decision making process, helping to mitigate tail risks, protect against long-term underperformance due to secular disruptions and help uncover underappreciated opportunities. We acknowledge that there is growing evidence of a direct financial benefit of incorporating ESG considerations into an investment decision making process.

To future proof the portfolio and best position the Company to generate recurring, dependable returns for our clients, we feel it is prudent to have the core of our portfolio dedicated to lending to quality businesses that are not exposed to material ESG risks. To complement the core of our portfolio we may selectively lend to quality companies that are exposed to material ESG risks today but with a stable or improving trajectory; our preference being for the latter, since the Company may benefit as the issuer's credit spreads tighten and its cost of capital declines. We completely avoid or disinvest from companies where the level of ESG risk is material and the company is not willing or able to mitigate these risks, hence remain on a deteriorating trajectory.

Engagement with management teams is a crucial part of our ESG process, so we can better understand a company's willingness and ability to transition to a future proof and sustainable business model. As an active investor, we have an opportunity to maximise risk adjusted returns for our clients by actively influencing and incentivising issuers to achieve better outcomes. Where possible, we may engage with companies on a firm-wide basis, in order to maximise the impact of our engagement efforts. In addition, we conduct 'themes based' engagement programmes, designed for long-term dialogue with companies around material ESG issues and we also engage as part of industry wide initiatives, such as Climate Action 100+.

ESG Integration

ESG considerations are fully integrated into our investment decision making process and ESG analysis is a core part of our credit research efforts. Blending quantitative financial analysis with a qualitative evaluation, including any potential impact from ESG factors, helps us to make a more informed assessment of the intrinsic value of a security. We have developed a proprietary ESG ratings framework built around a top down thematic assessment combined with a bottom up ESG appraisal of each issuer we invest in.

We believe ESG considerations should not be an overlay to the credit research process, rather it is most effective when it is an integral part of the process, as it can inform and enhance the quality of research. Therefore, we do not outsource ESG analysis to dedicated ESG analysts that feed our credit analysts with ESG views and engage on their behalf. In our view, the credit analysts, who are experts in their sectors, are best placed to authentically integrate ESG considerations into their analysis. However, our centralised ESG team does support the credit analysts with specialist ESG research and guidance on engagement.

Our proprietary ESG ratings are generated and maintained by our credit analysts, with input and challenge welcomed from portfolio managers and analysts across the fixed income department, as well as the dedicated ESG professionals. All members of the Strategic Fixed Income team actively promote the internal ESG ratings framework.

Proprietary ESG Ratings Framework

Top Down Thematic ESG Research

Looking at the credit market holistically, we aim to identify themes that we believe are shaping the world and significantly impact the industries and issuers we invest in. Deep dives into these themes help us to analyse disruptions and innovations and how business models and cash flow profiles will be impacted, which in turn will drive long-term financial performance. We believe that building up a wealth of research on key ESG themes provides a valuable input for longer term positioning and engagement and helps identify issuers with sustainable and unsustainable business models and cash flows.

Bottom Up ESG Research

ESG analysis is an integral part of our fundamental bottom up credit research at Janus Henderson. In terms of ESG considerations, we look for materiality and whether the ESG risks identified for each issuer are improving or deteriorating. A key question is whether a company is willing or able to manage and mitigate their material ESG risks and whether we can see actual evidence of it.

The Strategic Fixed Income Team's ESG Approach and Integration (continued)

Proprietary ESG Ratings

Assigning ESG ratings for issuers involves assessment against our proprietary ESG quadrant framework, which is shared globally across the Janus Henderson Fixed Income platform. The quadrant focuses on a **medium-term time horizon** (3-7 years). We believe this period allows meaningful change to take place and balances the long-term nature of ESG risks with the visibility needed to assess how credible a company's action plan is and what steps it is taking to execute it.

There is a strong link between the ESG sector and individual issuer ESG ratings, reflecting how our top-down and bottom-up approach combine to give a more holistic view of a security. However, a sector rating does not limit an issuer's rating which can score above its respective sector. For example, there may be certain companies that have made sufficient effort to modify their practices to address ESG risks related to the sector and capture ESG relevant opportunities.

These ratings are defined as:

Green: issuers which are not materially exposed to ESG risks or for which ESG is a strength (**dark green** corner).

Blue: issuers with emerging ESG challenges that are not yet material but could become so if not managed or addressed.

Yellow: issuers facing material ESG risks but have (and are implementing) a credible action plan to manage these risks.

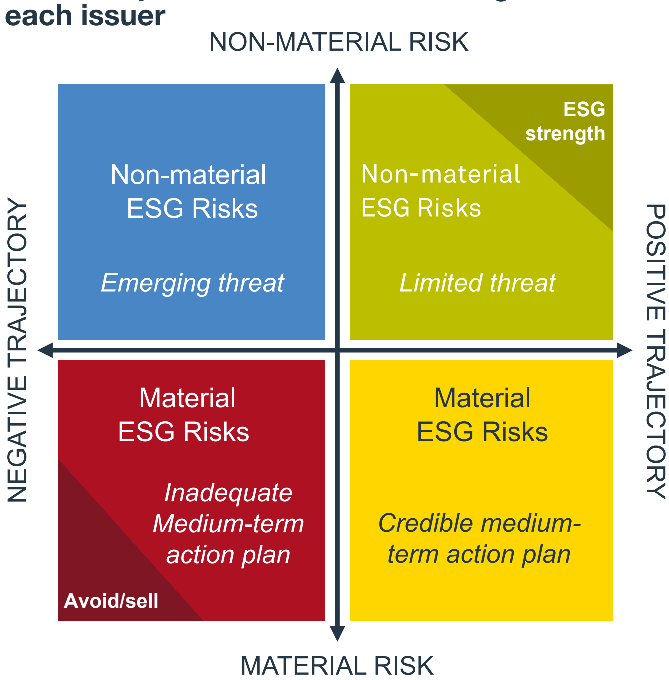
Red: issuers exposed to significant ESG risks, which we believe are not being adequately managed. In some instances, we evaluate the management of ESG challenges as too weak and ESG risks considerably elevated for us to hold the credit (**dark red** corner).

Our proprietary ESG ratings are reflected in our internal data analytics tool Quantum, which can be accessed by the investment team.

We believe our ESG quadrant framework is a dynamic and robust tool designed to translate the assessment of industry-wide ESG risks to individual issuer ESG profiles. It allows for sufficient differentiation in order to be meaningful in our investment decision-making process. For instance, to own a security in the 'red' quadrant, we would need additional relative value compensating for the high level of ESG risk associated with the issuer.

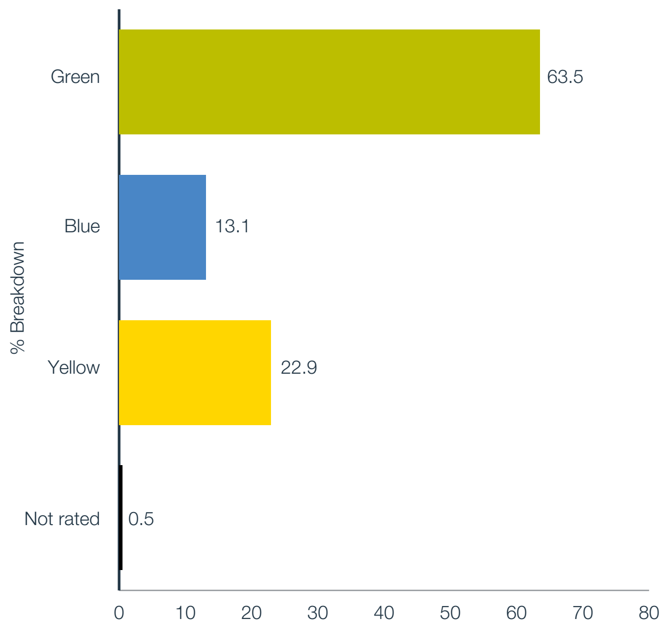
Figure 1: Proprietary ESG ratings

Bottom-up framework for assessing each issuer



Source: Janus Henderson Investors. For illustrative purposes only
Note: Our proprietary ESG ratings framework for sovereigns utilises the same quadrant approach and all of our sovereign exposure held in the portfolio is rated Green

Henderson Diversified Income Trust plc proprietary ESG ratings breakdown



Source: ICE BofA Global Corporate & High Yield Index – GBP Hedged, ESG metrics per Sustainalytics, as of 31 March 2022. ESG metrics per ISS, as of 31 March 2022. ISS portfolio coverage: Henderson Diversified Fund (76%), ICE BofA Global Corporate & High Yield Index (97%)

The Strategic Fixed Income Team's ESG Approach and Integration (continued)

Tools, Resources and Risk Oversight

We use a wide range of internal and external tools and information (such as Sustainalytics, RepRisk, Beyond Ratings and Institutional Shareholder Services (ISS)) to aid our ESG analysis. We are empowered by firm wide ESG collaboration including the dedicated in-house ESG team who provide a specialist resource on ESG issues, support on research and engagement and lead our participation in industry wide initiatives such as the investor led Climate Action 100+.

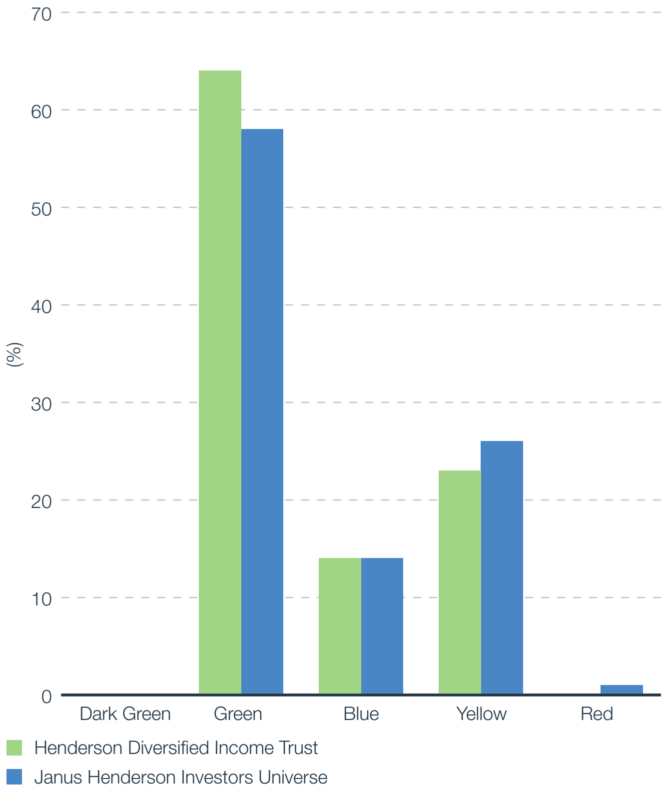
ESG risks are also considered as part of the broader risk oversight process led by our independent investment risk team. ESG risk data is included in the regular risk reporting produced for the investment team and is discussed with the risk team as part of the risk oversight process.

How our ESG Approach and our 'Sensible Income' Investment Philosophy are Combined

Top ESG rated segments of the credit market typically have a quality/defensive tilt and skew towards safe and non-cyclical sectors. This goes hand in hand with our 'sensible income' investment philosophy — our credit selection framework, which is in effect a 'quality' style bias. This framework forms part of our identity as a team and in practice means our investable universe is a subset of the broad credit market, specifically large-cap, non-cyclical businesses in developed markets that generate a return on capital employed that is higher than their cost of capital. We believe focusing on this subset can provide our clients with superior risk adjusted returns through the economic cycle.

A number of industries do not adhere to our interpretation of 'sensible income'. We apply a negative screening approach and completely avoid lending to certain sectors, as we view a large segment of the credit market as uninvestable (see figure 2). In general, the industries we do not lend to are often capital intensive with high operating leverage, high financial leverage and a low return on capital employed. These sectors tend to include but are not limited to airlines, auto OEM's (original equipment manufacturers), energy, metals and mining and shipping. In addition, we avoid lending to sectors that are in structural decline, such as high street fashion retailers. Over time, we have found that there is a meaningful overlap between those sectors that fail to meet our definition of 'sensible income' and those that have weaker ESG profiles. Hence, our style of credit investing tends to shield us from areas of the credit market that have greater exposure to material ESG risks.

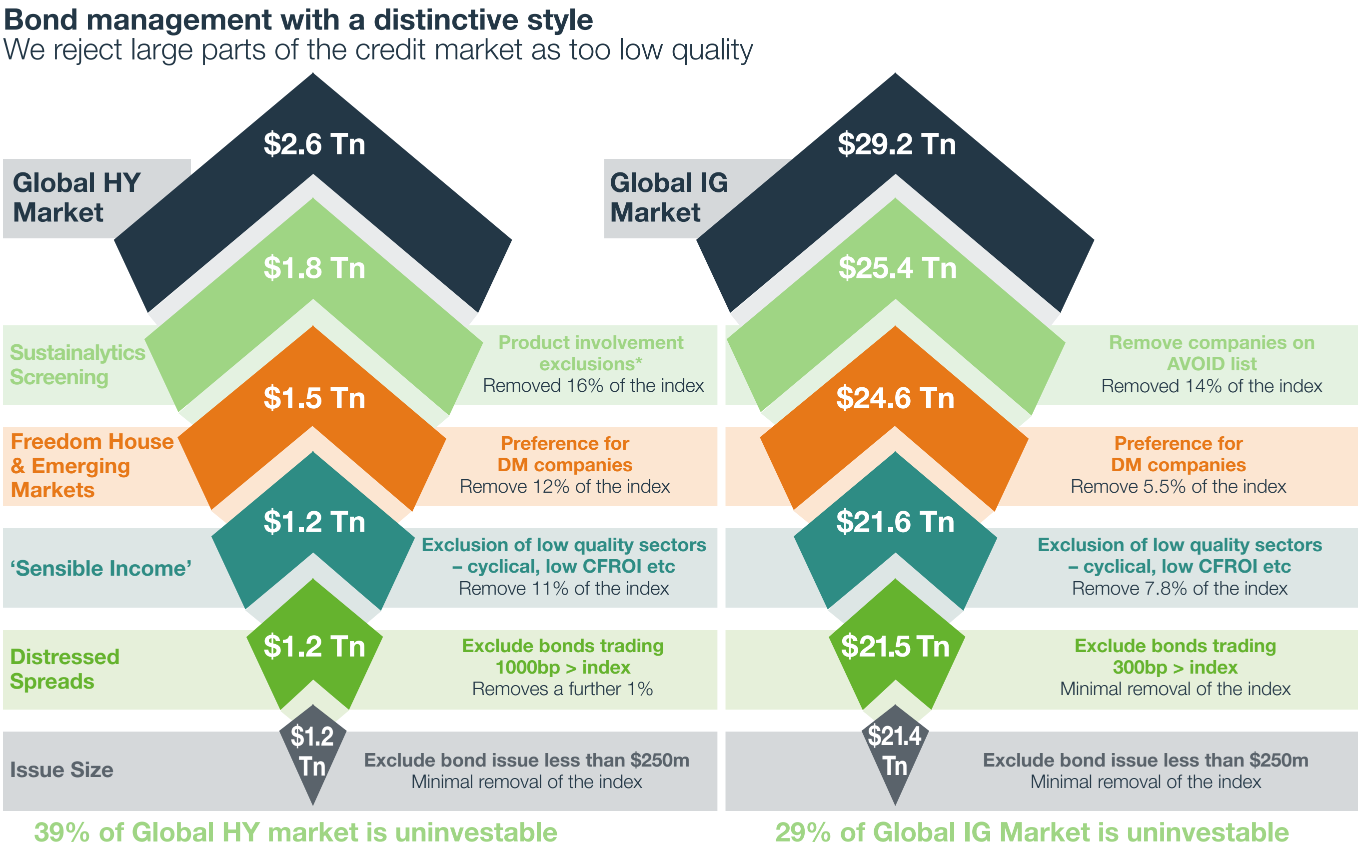
Henderson Diversified Income Trust ESG ratings vs Janus Henderson Investors rated universe



Source: Janus Henderson Investors

The Strategic Fixed Income Team's ESG Approach and Integration (continued)

Figure 2: Our 'sensible income' credit screening methodology



Source: Janus Henderson Investors desk estimates as at 28 February 2022. Index used ICE BofA Global Corporate & High Yield Index. Out of 21,383 securities, 20,457 were covered in the Sustainalytics ESG Risk universe

Note: *Issuers excluded if they derive more than 10% of their revenue from; oil and gas generation and production, oil sands extraction, shale energy extraction, thermal coal extraction and power generation, arctic oil and gas extraction. Issuers excluded if they derive any revenue from; production or distribution of fur, and production or distribution of controversial weapons

The Likely Impacts of Sustainability Risks on the Returns of the Company

While the analysis of ESG factors is an integral component across Janus Henderson's investment capabilities and one of a number of inputs to the selection of investments and portfolio construction, the investment process of Janus Henderson is primarily designed to maximise long-term risk adjusted returns for investors. Therefore, in managing the Company, Janus Henderson does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Company.

Governance

Board of Directors

Directors

The directors appointed to the Board at the date of this report are set out below.

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

Angus Macpherson

(Chairman)

Date of appointment: 23 February 2017

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

Skills and Experience: Angus previously worked for Merrill Lynch in London, New York, Singapore and Hong Kong, latterly as Head of Capital Markets and Financing in Asia. He was also Chairman of JP Morgan Elect PLC until January 2018, Chairman of the Belhaven Hill School Trust Ltd and a Member of the Scottish Government's Financial Services Advisory Board.

Current External Appointments: Angus is Chief Executive of Noble & Company (UK) Limited. He is also Chairman of Pacific Horizon Investment Trust plc, a Non-Executive Director of Schroders Japan Growth Fund plc and Hampden & Co PLC.

Denise Hadgill

Date of appointment: 23 February 2017

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

Skills and Experience: Until 2015 Denise was Managing Director and Head of the UK Product Strategy Group at BlackRock and was responsible for delivering the firm's investment message and economic outlook to an extensive range of UK pension fund and charity trustee boards. Prior to this she spent 14 years at Schroder Investment Management Limited where she was UK Equity Fund Manager and Director responsible for the firm's relationship with 21 UK pension funds and charity clients with multi asset portfolios valued at £2 billion.

Current External Appointments: Non-Executive Director and Chair of Investment Committee, PG Mutual, Non-Executive Director, Chelverton UK Dividend Trust plc, SDV 2025 ZDP Plc and Smithson Investment Trust plc.

Win Robbins

(Senior Independent Director)

Date of appointment: 28 May 2019

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

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

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

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

Current External Appointments: Win is a Non-Executive Director and Chairman of the Remuneration Committee at Polar Capital Holdings plc, a position she has held since 2017. She is also a Non-Executive Director of BlackRock Income & Growth Investment Trust plc, and Non-Executive Member of the Investment Committee of St. James Place Partnership plc.

Board of Directors (continued)

Stewart Wood

Date of appointment: 23 February 2017

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

Skills and Experience: Stewart became a Labour member of the House of Lords in 2011.

He was Shadow Minister without Portfolio and a Strategic Adviser to Ed Miliband, Leader of the Labour Party, from 2010 to 2015. Prior to that he was a Special Adviser to the Chancellor of the Exchequer on the UK Treasury's Council of Economic Advisers from 2001 to 2007, during which time he led on the assessment for UK entry into the euro. He then served as Senior Special Adviser on foreign affairs, culture and media policy, and Northern Ireland between 2007 and 2010. After the 2010 General Election, he led Ed Miliband's successful campaign for the Labour leadership. In 2016, he was named as the new Chair of the United Nations Association (UK), appointed to the Board of the Marshall Scholarships Commission, and is a Director of the Good Law Project.

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

Ian Wright

(Chairman of the Audit Committee)

Date of appointment: 23 February 2017

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

Skills and Experience: Ian is a Chartered Accountant.

Ian was Deputy Chairman of the Jersey Financial Services Commission until April 2021. He was previously an Audit Partner in Price Waterhouse and then PricewaterhouseCoopers including serving as the Senior Partner of the firm's international accounting consulting group. A founder member of the IFRS Interpretations Committee he has also served on professional committees of the ICAEW and FEE. He was also a Panel Member of the Financial Reporting Review Panel which is part of the UK Financial Reporting Council. He is resident in Jersey having previously worked in the Channel Islands, London and Bahrain.

Current External Appointments: Ian is a Director of the Jersey Heritable Property Company Limited and a Policeman in the Parish of St. Brelade.

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

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

Corporate Governance Report

Applicable Corporate Governance Codes

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

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

For the year ended 30 April 2022 the Company has complied with all the provisions of the AIC Code. Given that the Company has a simple remuneration structure (a Board of independent non-executive directors that are not entitled to executive remuneration packages including bonuses and long-term incentive schemes) it was deemed unnecessary to form a separate Remuneration Committee and instead remuneration is considered by the Board.

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

The Board

Role of the Board

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

The Board meets formally at least five times a year, with additional Board or Committee meetings arranged when required. The directors have regular contact with the Manager between formal meetings. The Board has a formal Schedule of Matters Reserved for its decisions (which is available at **www.hendersondiversifiedincome.com**).

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objective and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. It has adopted a procedure for directors, in the furtherance of his/her duties, to take independent professional advice at the expense of the Company. In order to enable him/her to discharge his/her responsibilities, all directors have full and timely access to relevant information.

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

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

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the directors to probe further on matters of interest or concern.

The directors have access to the advice and services of the Company Secretary, who has been appointed by Janus Henderson Secretarial Services UK Limited. The Company Secretary is responsible to the Board for ensuring compliance both with Board and Committee procedures and terms of reference and applicable rules and regulations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any director's concerns to be recorded in the minutes. The Board and the Manager operate in a supportive, co-operative and open environment. Janus Henderson Secretarial Services UK Limited is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts or issues between the Company and Janus Henderson.

Corporate Governance Report (continued)

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

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

Audit Committee

Please refer to the Report of the Audit Committee on pages 42 to 44.

Management Engagement Committee

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

Membership

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

Meetings

The Committee met once during the year.

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

- the investment performance of the Company, taking account of the existing benchmark, replacement benchmark and performance of competitors in the closed-ended sector, the share price, level of premium/discount and gearing;
- the management of the portfolio's risk profile and the use of gearing;
- the quality and experience of the team involved in managing all aspects of the Company's business;
- the fee structures of its closed-ended competitors and other similar sized investment companies;
- the key clauses of the investment management agreement, how the Manager had fulfilled these and whether these continued to be appropriate; and
- the fees of the Company's other third-party service providers, including the Company's Broker (J. P. Morgan Cazenove), Depositary (BNPPSS Depositary and Fiduciary Services/BNP Paribas Trust Corporation UK Limited), Registrar (Computershare), Marketing and Research Provider (Marten & Co) and its indirect third-party service provider Accountants (BNPPSS Fund Administration) (engaged on behalf of the Manager to carry out the Company's accounting services).

The Committee also:

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

Continued Appointment of the Manager

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

Nominations Committee

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

Membership

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

Meetings

The Committee met once during the year under review.

Role and Responsibilities

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

The Committee is also responsible for determining and disclosing a Policy on Tenure (see page 39).

Corporate Governance Report (continued)

The Committee also makes recommendations to the Board concerning:

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

Board Evaluation

A bespoke questionnaire was created by the Chairman and Company Secretary based on the principles of the AIC Code. This covered areas such as the Company's purpose, values and strategy, promoting the success of the Company, the Company's constitutional framework and procedures, risk management, board meetings, the care, skill and diligence of the directors, stakeholders, investment performance, communications, outsourcing, delegation and monitoring, company secretarial, administration and board reports, and marketing and sales.

The Chairman of the Board led the review of the annual performance evaluation process for the year ended 30 April 2022. The feedback from the evaluation was positive. Each director made a valuable contribution to the Board and its discussions and all directors remained independent in character and judgment. There was a good balance of skills and experience on the Board.

Win Robbins, the Senior Independent Director, led the performance evaluation of the Chairman, taking feedback from all directors after completion of a questionnaire. The review of the Chairman's performance concluded that he had displayed effective leadership during the year and that the directors were pleased to support his Chairmanship for a further year.

Arrangements with Directors

Board Composition

The Articles of Association provide that the total number of directors shall not be less than two nor more than ten in number. The Board currently consists of five non-executive directors. All of them served throughout the year under review. The biographies of the directors holding office at the date of this report, which are set out on pages 35 to 36, demonstrate the breadth of experience relevant to his/her position as a director.

Directors' Appointment and Retirement

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

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

Under the Articles of Association, shareholders may remove a director before the end of his/her term by passing an ordinary resolution at a general meeting.

Policy on Tenure

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

Directors' Independence

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

There were no contracts subsisting during or at the end of the year in which any director is or was materially interested and which is or was significant in relation to the Company's business. No director has a contract of service with the Company and there are no agreements between the Company and its directors concerning compensation for loss of office.

Directors' Professional Development

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

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (situational conflicts).

Corporate Governance Report (continued)

The Board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively. Furthermore, no conflicts of interest have been identified that would allow third-parties to influence or compromise the individual director's independent judgment.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the directors. Under the Company's Articles of Association and subject to the provisions of UK legislation, a qualifying third-party provision indemnity may be provided to directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of his/her position as a director, in which they are acquitted, or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

Board Attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the 2021 AGM. The Insider Committee did not meet.

	Board	AC	NC	MEC
Number of Meetings	**6**	**2**	**1**	**1**
Angus Macpherson	6	2	1	1
Denise Hadgill	6	2	1	1
Win Robbins	6	2	1	1
Stewart Wood	6	2	1	1
Ian Wright	6	2	1	1

AC: Audit Committee
MEC: Management Engagement Committee
NC: Nominations Committee

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

There were two additional meetings in the year under review to approve the annual results and the Company's loan facility.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

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

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

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

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

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

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

Board of Directors

(comprised entirely of non-executive directors)

Principal third-party service providers

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Risk Team;
- receive reporting from the Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate performance on an annual basis.

Janus Henderson (Investment management, company secretarial, sales, marketing, PR and administration)

Reporting
- Investment performance update (at each meeting)
- Investment limits and restrictions (monthly)
- Internal control report (quarterly)
- Effectiveness of control environment (annually)

BNPPSS Depositary & Fiduciary Services (Depositary* & Custodian)

Reporting
- Management information report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (annually)

BNPPSS Fund Administration (Accountants (engaged by the Manager))

Reporting
- Balance sheet
- Liquidity and gearing
- Revenue forecasts
- Portfolio valuation
- Portfolio transactions
- Effectiveness of control environment (annually)

Secondary third-party service providers

- receive regular reporting on their activities at meetings; and
- formally evaluate performance on an annual basis.

Computershare (Registrar)

J.P. Morgan Cazenove (Corporate Broker)

Marten & Co (Marketing & Research Provider)

*To be novated to BNP Trust Corporation London later in the year. Mazars LLP has been appointed as the Company's Auditor.

Report of the Audit Committee

Membership

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

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

Meetings

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

Role and Responsibilities

The primary role of the Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the Auditors. The Audit Committee reports to the Board. The Committee's responsibilities are set out in formal terms of reference which are reviewed at least annually and are available to view on the Company's website at **www.hendersondiversifiedincome.com**. In discharging its duties over the course of the year, the Committee considered the following matters:

Half Year Results and the Annual Report

The appropriateness of the Company's accounting policies and the quality and effectiveness of the accounting records and management information maintained on behalf of the Company, relying on meetings with and reports from the Manager. The disclosures made in relation to internal controls and risk management, viability, going concern and related parties and consideration of whether the report was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy in order to make recommendations to the Board. Each director reviewed the disclosures made, applying their respective knowledge and expertise. The internal controls over financial reporting were also considered, together with feedback from the Company's Auditors, the Financial Reporting Manager for Investment Trusts and the Corporate Secretary.

Internal Controls and Risk Management

The principal risks facing the Company, the risk management systems in place and the Company's risk map.

The internal controls in place at Janus Henderson and BNPPSS, as described below.

The need for the Company to have its own internal audit function.

The Manager's whistleblowing policy and the arrangements that Janus Henderson has put in place for its staff to raise concerns about possible improprieties, including in relation to the Company, in confidence. The Committee was satisfied that the policy included the necessary arrangements for independent investigation and follow up action.

The Company's third-party suppliers' confirmed that they had appropriate policies and procedures in place in relation to anti-bribery and corruption, whistleblowing and anti-tax evasion. The Committee was satisfied that they were in compliance.

The Company's anti-bribery and corruption policy and review of the Company's gifts and hospitality register. The Committee was satisfied that the Company was in compliance throughout the year under review and up to the date of this report.

The annual confirmation from the Company's Depositary.

External Auditors

The appointment of the external auditors and their performance and remuneration (see page 43).

The nature and scope of the external audit, including agreeing with the external auditors the level of materiality (see page 54), and the findings therefrom.

The external auditors' independence and objectivity and the reporting of the external auditors. The Committee also considered its policy on non-audit services. The Committee was satisfied with the arrangements (as explained further on page 43).

The Committee discussed and agreed the audit plan and also discussed the FRC's audit quality inspection report findings, with the external audit partner.

Internal Controls and Risk Management

In the year under review, the Committee considered reports from the Manager's Risk and Internal Audit Teams covering internal controls and risk management. This included a detailed overview of the Manager's internal controls report and a summary of BNPPSS and Computershare (the Company's other main third-party service providers) internal controls reports that had also been reviewed by the Manager's Risk Team. The assurance reports for one of the Company's service providers was qualified by the respective service

Report of the Audit Committee (continued)

auditor. The Committee reviewed the instances giving rise to the qualification and received confirmation that appropriate action to address the issues identified in the reports was being taken. The exceptions identified had no impact on the Company.

The Committee also considered the Manager's internal audit plan, including an overview of those audits which had a direct or indirect relevance to the Janus Henderson managed Investment Trusts. The Committee recommended to the Board that it was appropriate to rely on the Manager's internal audit function (see below).

The system was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

Internal Audit Function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from specific second and third-line of defence teams at the Manager. The Manager's Risk Team supports the Committee in considering the independently audited assurance reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit Team also provides reporting to the Board on the operations at the Manager. The Committee therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Auditors' Independence

The Committee monitors the Auditors' independence through three aspects of its work: the approval of a policy regulating the non-audit services that may be provided by the Auditors to the Company; assessing the appropriateness of the fees paid to the Auditors for all work undertaken by them; and by reviewing the information and assurances provided by the Auditors on their compliance with the relevant ethical standards. Mazars LLP (Mazars) confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's ethical standards.

Audit Fees

The fees payable to the Auditors for audit services were £45,000 (plus VAT). This annual fee has been fixed until the year ended 30 April 2023.

Appointment and Tenure of the Auditors

Mazars were appointed as the Company's Auditors for the year ended 30 April 2021 following a successful audit tender undertaken by the Committee in the prior financial year. This is the second year that the current audit partner, Stephen Eames, has been in place.

A resolution to re-appoint Mazars as the Company's Auditors will be put to shareholders at the 2022 AGM.

Policy on Non-Audit Services

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

There were no fees paid or payable to the Auditor for non-audit services in the year under review.

Report of the Audit Committee (continued)

Annual Report for the Year Ended 30 April 2022

In relation to the Annual Report for the year ended 30 April 2022, the following significant issues were considered by the Committee and discussed in depth with the Auditors:

Significant issues	How the issue was addressed
Valuation and ownership of the Company's investments	The directors have appointed Janus Henderson, who outsources some of the administration and accounting services to BNPPSS Fund Administration, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time to time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments are verified by reconciliation to the Custodian's records and the directors have received quarterly reports and an annual confirmation from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation.
Recognition of income	Income received has been accounted for in line with the Company's accounting policies (see Note 2(f) on page 63) and was reviewed by the Committee at each meeting to confirm it is in compliance with International Financial Reporting Standards (IFRSs). The Board reviews revenue forecasts on a monthly basis in support of the Company's future dividends.
Maintaining internal controls	The Committee receives regular reports on internal controls from Janus Henderson (Manager), BNPPSS (Administrator and Depositary) and Computershare (Registrar), and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The Committee are satisfied that these key stakeholders have appropriate and effective internal control and risk management systems in place.
Maintaining investment trust status	The Committee has considered regularly the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNPPSS Fund Administration.

Ian Wright
Chairman of the Audit Committee
15 July 2022

Directors' Remuneration Report

Annual Report on Remuneration

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (Regulations). The report also meets the relevant requirements of the Companies Act 2006 (Act) and the Listing Rules of the FCA and describes how the Board has applied the principles relating to directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the Directors' Remuneration Report was proposed at the 2021 AGM and was subsequently approved by shareholders.

The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All directors are non-executive and the Company has no chief executive officer or employees. As such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board as a whole considers directors' remuneration (please see the Directors' Remuneration Report on pages 45 to 47). The Board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration (although the directors review annually the fees paid to the boards of directors of other comparable investment companies).

Remuneration Policy

Shareholders last approved the Remuneration Policy at the AGM in 2020. In accordance with section 439A of the Act, shareholders will next be asked to approve the Remuneration Policy at the 2023 AGM.

In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code.

The objective of the Remuneration Policy is to attract, retain and motivate non-executive directors of the quality required to manage the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Board obtains up-to-date information about remuneration in other companies of comparable scale and complexity in order to avoid and manage conflicts of interest in determining remuneration levels. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success.

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

All directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit Committee, who are paid a higher fee in recognition of their additional responsibilities.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No director has a service contract with the Company.

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

Shareholders' views

Any feedback from shareholders on the fees paid to directors would be taken into account by the Board when reviewing remuneration levels. None was received for the year under review.

Statement from the Chairman

As Chairman of the Board, Angus Macpherson, reports that there have been no changes to directors' remuneration nor any other changes to the remuneration paid to each individual director in the year under review. The Board as a whole determines remuneration, taking into account a comparative peer assessment and external industry data. No change to the implementation of remuneration policy has been made during the year.

Directors' Interests in Shares (Audited)

	Ordinary shares of 1p	
	30 April 2022	**1 May 2021**
Angus Macpherson	101,488	101,488
Denise Hadgill	5,000	5,000
Win Robbins	50,000	50,000
Stewart Wood	2,500	2,500
Ian Wright	30,000	30,000

There have been no changes in the interests of the directors since the year end to 14 July 2022.

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

Directors' Remuneration Report (continued)

Directors' Remuneration (Audited)

The total salary and fees paid to the directors who served during the years-ended 30 April 2022 and 30 April 2021 was as follows:

	Year ended 30 April 2022 Total fees £	Year ended 30 April 2021 Total fees £	Year ended 30 April 2022 Total expenses including taxable benefits £	Year ended 30 April 2021 Total expenses including taxable benefits £	Year ended 30 April 2022 Total £	Year ended 30 April 2021 Total £
Angus Macpherson[1]	37,500	37,500	–	–	37,500	37,500
Denise Hadgill	25,000	25,000	–	–	25,000	25,000
Win Robbins	25,000	25,000	–	–	25,000	25,000
Stewart Wood	25,000	25,000	–	–	25,000	25,000
Ian Wright[2]	31,000	30,167	–	–	31,000	30,167
Total	**143,500**	**142,667**	**–**	**–**	**143,500**	**142,667**

1 Chairman and highest paid director
2 Audit Committee Chairman

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

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

From 1 October 2020 the fee of the Chairman of the Audit Committee was increased to £31,000 per annum (previously £29,000 per annum). The fees of the other directors' and the Chairman of the Board remain unchanged from the prior year.

Expenditure on Pay

In order to show the relative importance of expenditure on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividends. In the year under review 4,707,814 shares were brought back by the Company. There were no other significant distributions, payments or other uses of the Company's net return or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

	2022 £	2021 £	2016[1] £	1 year change £	1 year change %	5 year change[1] £	5 year change[1] %
Total remuneration paid to directors[2]	**143,500**	142,667	155,402	833	0.6	(11,902)	(7.7)
Ordinary dividends paid during the year[3]	**8,316,837**	8,418,003	8,505,193	(101,166)	(1.2)	(188,356)	(2.2)

1 The data reported in the table above for the period prior to 27 April 2017 is in respect of the predecessor company Henderson Diversified Income Limited which had a 31 October financial year end
2 Increases/decreases will fluctuate due to the number of directors in any one year
3 Dividends paid reflect the number of shares in issue at the time. Past share buybacks will therefore reduce the number of shares in respect of which dividends were paid in subsequent periods

Directors' Remuneration Report (continued)

Performance

At the Company's last AGM held on 16 September 2021, shareholders approved the Directors' Remuneration Report. At the AGM on 15 September 2020, the Directors' Remuneration Policy was approved by shareholders. The following proxy votes were received on the resolutions:

Resolution	For (including discretionary)	% of total votes[1]	Against	% of total votes[1]	Withheld
To receive the Directors Remuneration Report	20,146,571	98.67	272,288	1.33	161,667
To approve the Directors Remuneration Policy	20,758,580	99.58	87,896	0.42	398,101

1 Excluding votes withheld

On behalf of the Board

Angus Macpherson
Chairman
15 July 2022

Report of the Directors

The directors who are listed on pages 35 to 36 present their report and financial statements for the year ended 30 April 2022.

Share Capital

The Company's share capital comprises ordinary shares with a nominal value of 1p. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares.

Upon a winding up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro-rata to their holding of ordinary shares.

At the beginning of the year, there were 191,267,033 ordinary shares in issue.

The directors seek annual authority from shareholders to allot new ordinary shares, to disapply pre-emption rights of existing shareholders and to purchase shares for cancellation or to be held in treasury. No shares were issued during the year.

During the year 4,707,814 shares were bought back under the authority provided by shareholders at the AGM.

At the 2021 AGM, the directors were granted authority to buy-back 28,419,612 shares (being 14.99% of the issued ordinary share capital at that time). There now remains 24,423,356 ordinary shares available within this buy-back authority, which will expire at the conclusion of the AGM in October 2022.

As at 30 April 2022 the number of shares in issue (with voting rights) was 186,559,219, with a further 875,084 shares held in Treasury.

In the period from 1 May 2022 to 14 July 2022 a further 965,000 shares have been bought back and placed in Treasury.

Holdings in the Company's Shares

Declarations of interests in the voting rights of the Company as at 30 April 2022 in accordance with the Disclosure Guidance and Transparency Rules were as follows:

	% of voting rights
Brewin Dolphin Limited	4.99

No changes have been notified in the period 1 May 2022 to 14 July 2022.

Related Party Transactions

The Company's transactions with related parties in the year were with the directors and the Manager. There have been no material transactions between the Company and its directors during the year. The only amounts paid to them were in respect of remuneration for which there were no outstanding amounts payable at the year end. Directors' Interests in Shares are disclosed in the Directors' Remuneration Report on page 45. In relation to the provision of services by the Manager (other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties) there have been no material transactions with the Manager affecting the financial position or performance of the Company during the year under review. More details on Transactions with the Manager, including amounts outstanding at the year end, are given in Note 23 on page 78.

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

Greenhouse Gas Emissions

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the Company is required to report annual greenhouse gas emissions. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. The Company is therefore exempt from the requirements to report on greenhouse gas emissions from its operations.

Business Ethics

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

Climate Change, Responsible Ownership and the Stewardship Code

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

Please also refer to The Strategic Bond Team's ESG Approach and Integration section on pages 30 to 33.

Report of the Directors (continued)

Voting

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

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

Voting decisions are guided by the best interests of the investee companies' shareholders and made in consultation with the Fund Managers, who have an in-depth understanding of the respective company's operations. Voting decisions are taken in keeping with the provisions of the Manager's ESG Corporate Statement and ESG Investment Principles (ESG Policies), so investee companies are made aware of the Manager's expectations in this respect. However, the Board reviews the Manager's ESG Policies each year. To read more about what ESG means at Janus Henderson and to view the ESG Policies please visit **https://www.janushenderson.com/en-gb/investor/environmental-social-governance-principles/**

The Board remains satisfied that the Manager understands the risks of climate change to its business, strategy and product mix and where relevant are adapting to ensure long-term viability.

Annual General Meeting (AGM)

This year's AGM will be held on Tuesday, 4 October 2022 at 2.30pm at the Company's registered office, 201 Bishopsgate, London EC2M 3AE. The meeting will also be broadcast live, and shareholders who wish to view the meeting should go to **www.janushenderson.com/trustslive**.

Any change to the format of the AGM will be notified to shareholders via a Regulatory Information Service announcement and the Company's website.

Statement of Dividends Paid and Payable

Please refer to the Chairman's Statement on page 5 for details.

Loan renewal

The Company's loan facility with BNP Paribas was renewed on 1 July 2022 for a two year period.

Disclosure of Information to Auditors

In the case of each of the persons who are directors of the Company at the time when this report was approved:

(a) so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware; and

(b) each of the directors has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of section 418(2) of the Companies Act 2006.

Financial Instruments

The Company's policy on the use of financial instruments is set out in the Investment Policy on page 19.

Future Developments

While the future performance of the Company is mainly dependent on the performance of financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its investment objective and policy (please refer to page 19). The Chairman's Statement and Fund Managers' report provide commentary on the outlook for the Company.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The directors confirm that there are no disclosures to be made in this regard.

The Report of the Directors has been approved by the Board.

For and on behalf of
Janus Henderson Secretarial Services UK Limited
Corporate Secretary
15 July 2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the IFRS Interpretations Committee (IFRS IC) that remain in effect, to the extent that IFRSs have been adopted by the UK Endorsement Board. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the net return or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Director's Report, a Strategic Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Directors' Statement of Responsibilities

Each of the directors, who are listed on pages 35 to 36, confirms that, to the best of his/her knowledge:

- the Company's financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and financial statements include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Angus Macpherson
Chairman
15 July 2022

Financial Statements

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

Opinion

We have audited the financial statements of Henderson Diversified Income Trust plc (the 'Company') for the year ended 30 April 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2022 and of the loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment including COVID-19 implications based on severe but plausible scenarios as approved by the Board of directors on 15 July 2022;
- Making enquiries of the directors to understand the period of assessment considered by the directors, the completeness of the adjustments taken into account and implication of those when assessing severe but plausible scenarios. This included assessing the Company's ability to continue to get access to the loan facility with BNP which was due for renewal on 1 July 2022, to operate within its financial covenants and the liquidity of the portfolio through reviewing management assessment of how quickly the portfolio could be liquidated if required;
- Assessing and challenging the appropriateness of the directors' key assumptions in their revenue forecast, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

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

Key Audit Matter	How our scope addressed this matter
Accuracy, Completeness and Cut off for Investment income The investment income primarily consists of bond and loan interest totalling £8.49m from quoted fixed securities and secured loans. The remaining balance consists of premiums on credit default swaps of £1.20m and dividend income of £0.26m. As per the accounting policy 2(f) on page 63, fixed interest income from quoted fixed securities and secured loans are recognised based on an effective yield basis. Premiums on credit default swaps are recognised on an accrual basis. Dividend income is recognised on an ex-dividend basis. There is a risk that if investment income is inaccurate or incomplete or if the investment income recognised does not relate to the current financial period, this could have a material impact on the profits available for the fund to make dividend distributions to its shareholders.	Our audit procedures included, but were not limited to, the following procedures: • understanding management's process surrounding revenue recognition in relation to investment income through examination of control reports on the third party service organisation; • for a sample of quoted fixed income securities, agreeing the coupon rates to independent sources, recalculating the interest income based on the holdings of the respective security and tracing to bank statements for interest received; • recalculating premiums on credit default swaps and agreeing the premiums received to broker statements; • recalculating the effective yield adjustment on a sample basis; and • for a sample of accrued interest income, recalculating the accrued interest income by comparing the interest received against any coupon payments due to the Company to ensure that income had been recognised in the correct period. **Our observations** Based on the work performed and evidence obtained, we have no matters to communicate with respect to the procedures in response to the risk of cut-off or incorrect or inaccurate recognition of investment income.
Valuation, existence and ownership of the investment portfolio The Company has a significant portfolio of fixed income securities, these are measured in accordance with the requirements under IFRS and the Statement of Recommended Practice issued by the Association of Investment Companies. See page 63 for further details on the accounting policy for investments held at fair value through profit or loss. Investments comprised of £149.31m fixed income securities, £16.16m secured loans, £6.80m preference stock and £0.96m asset backed securities. There is a risk of incorrect valuation of the investment portfolio which could result in the Statement of Financial Position and Statement of Comprehensive Income being materially misstated. The secured loans within the portfolio are held by the Company while all quoted fixed income securities are held by the Custodian. There is therefore a risk that investments recorded might not exist or might not be owned by the Company. We therefore identified valuation, existence and ownership of investments as a key audit matter as it had the greatest effect on our overall audit strategy and allocation of resources.	Our audit procedures included, but were not limited to, the following procedures: • understanding management's process to record and value investments through examination of control reports on the third party service organisation; • agreeing the valuation of quoted investments to an independent source of market prices; • analysing the liquidity of all securities to see whether they have been traded frequently and valued at prices which they have been traded to ensure there are no unusual price movements indicating the year end prices are stale; • for fixed income securities, obtaining and agreeing confirmation from the Custodian and the Depositary of the number of units of each security held as of 30 April 2022; and • for secured loans, verifying the legal ownership to the loan agreements and to the Custodian and Depositary confirmation. **Our observations** Based on the work performed and evidence obtained, we noted that the investments are valued in accordance with the relevant accounting standards. We did not note any issues with regard to the existence and the ownership of the investments held at 30 April 2022.

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

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,484,000
How we determined it	This has been calculated with reference to the Company's net assets, of which it represents approximately 1%.
Rationale for benchmark applied	Net assets have been identified as the principal benchmark within the financial statements as it is considered to be the main focus of the shareholders. Whilst valuation processes for these investments are not considered to be complex, there is a risk that errors in valuation could cause a material misstatement. 1% has been chosen as it is a generally accepted auditing practice for investment trust audits and the Company is a public interest entity.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments and together with our assessment of the overall control environment, we set performance materiality at £1,039,000, which represents 70% of overall materiality.
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £52,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. This threshold has decreased to £45,000 following our revised materiality using net assets as at 30 April 2022.

We also determine a lower level of specific materiality for certain areas such as the statement of comprehensive income, directors' remuneration and related party transactions.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgments, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 62;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 27;
- Directors' statement on fair, balanced and understandable, set out on page 50;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 24;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 42; and;
- The section describing the work of the audit committee, set out on page 42.

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: breaches of regulatory requirements of HMRC Investment Trust conditions.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Company, the industry in which they operate, and the structure of the Company, and considering the risk of acts by the Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Listing Rules, the UK Corporate Governance Code, the AIC code of Corporate Governance, the Companies Act 2006 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, revenue recognition (which we pinpointed to accuracy, completeness and cut off) and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the 'Key audit matters' section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit Committee on 15 September 2020 to audit the financial statements for the year ending 30 April 2021 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 30 April 2021 to 30 April 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Stephen Eames (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

15 July 2022

Statement of Comprehensive Income

Notes		Year ended 30 April 2022 Revenue return £'000	Year ended 30 April 2022 Capital return £'000	Year ended 30 April 2022 Total £'000	Year ended 30 April 2021 Revenue return £'000	Year ended 30 April 2021 Capital return £'000	Year ended 30 April 2021 Total £'000
11	(Losses)/gains on investments held at fair value through profit or loss	–	(26,063)	(26,063)	–	13,530	13,530
19	Gains/(losses) on foreign exchange transactions at fair value through profit or loss	–	2,887	2,887	–	(58)	(58)
3	Investment income	9,953	–	9,953	10,035	–	10,035
4	Other operating income	17	–	17	10	–	10
	Total income/(loss)	**9,970**	**(23,176)**	**(13,206)**	**10,045**	**13,472**	**23,517**
	Expenses						
5	Management fee	(543)	(543)	(1,086)	(566)	(565)	(1,131)
6	Other expenses	(465)	–	(465)	(476)	–	(476)
	Profit/(loss) before finance costs and taxation	**8,962**	**(23,719)**	**(14,757)**	**9,003**	**12,907**	**21,910**
7	Finance costs	(172)	(172)	(344)	(166)	(166)	(332)
	Profit/(loss) before taxation	**8,790**	**(23,891)**	**(15,101)**	**8,837**	**12,741**	**21,578**
8	Taxation	(15)	–	(15)	(22)	–	(22)
	Profit/(loss) after taxation	**8,775**	**(23,891)**	**(15,116)**	**8,815**	**12,741**	**21,556**
9	**Earnings/(loss) per ordinary share**	4.65p	(12.66p)	(8.01p)	4.61p	6.66p	11.27p

The total columns of this statement represents the Statement of Comprehensive Income, prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. The Company had no other comprehensive income. The loss after taxation is also the total comprehensive income for the year.

The notes on pages 62 to 78 form part of these financial statements

Statement of Changes in Equity

Notes		Year ended 30 April 2022 Called-up share capital £'000	Capital redemption reserve £'000	Share premium £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 May 2021	1,912	1	1,576	165,533	3,957	2,741	175,720
	Total comprehensive income:							
	(Loss)/profit after taxation	–	–	–	–	(23,891)	8,775	(15,116)
	Transactions with owners, recorded directly to equity:							
15 & 16	Cost of buy-back of shares	(38)	38	–	–	(3,906)	–	(3,906)
10	Dividends paid	–	–	–	–	–	(8,317)	(8,317)
19	Proceeds from predecessor company	–	–	–	–	36	–	36
	Total equity at 30 April 2022	**1,874**	**39**	**1,576**	**165,533**	**(23,804)**	**3,199**	**148,417**

Notes		Year ended 30 April 2021 Called-up share capital £'000	Capital redemption reserve £'000	Share premium £'000	Distributable reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
	Total equity at 1 May 2020	1,913	–	1,576	165,533	(8,742)	2,344	162,624
	Total comprehensive income:							
	Profit after taxation	–	–	–	–	12,741	8,815	21,556
	Transactions with owners, recorded directly to equity:							
15 & 16	Cost of buy-back of shares	(1)	1	–	–	(42)	–	(42)
10	Dividends paid	–	–	–	–	–	(8,418)	(8,418)
	Total equity at 30 April 2021	**1,912**	**1**	**1,576**	**165,533**	**3,957**	**2,741**	**175,720**

The notes on pages 62 to 78 form part of these financial statements

Statement of Financial Position

Notes		At 30 April 2022 £'000	At 30 April 2021 £'000
	Non current assets		
11	Investments at fair value through profit or loss	173,224	202,152
	Current assets		
12	Other receivables	10,558	5,464
	Cash and cash equivalents	1,806	4,197
		12,364	**9,661**
	Total assets	**185,588**	**211,813**
	Current liabilities		
13	Other payables	(5,626)	(10,031)
14.2 & 21	Bank loan	(31,545)	(26,062)
	Total assets less current liabilities	**148,417**	**175,720**
	Net assets	**148,417**	**175,720**
	Equity attributable to equity shareholders		
15	Called-up share capital	1,874	1,912
16	Capital redemption reserve	39	1
17	Share premium	1,576	1,576
18	Distributable reserve	165,533	165,533
19	Capital reserve	(23,804)	3,957
	Revenue reserve	3,199	2,741
	Total equity	**148,417**	**175,720**
20	Net asset value per ordinary share	79.55p	91.87p

The financial statements were approved by the Board of Directors and authorised for issue on 15 July 2022 and were signed on its behalf by:

Angus Macpherson
Chairman

The notes on pages 62 to 78 form part of these financial statements

Statement of Cash Flows

	Year ended 30 April 2022 £'000	Year ended 30 April 2021 £'000
Operating activities		
Net (loss)/profit before tax	(15,101)	21,578
Interest payable	344	332
Losses/(gains) on investments held at fair value through profit or loss	26,063	(13,530)
(Gains)/losses on foreign exchange transactions at fair value through profit or loss	(2,887)	58
Net (payments)/receipts on settlement of forward foreign exchange contracts	(7,143)	13,965
Net receipts/(payments) on credit default swaps	206	(46)
Net (payments)/receipts on margin accounts	(1,999)	548
Increase in prepayments and accrued income	(186)	(9)
Increase/(decrease) in other creditors	267	(7)
Purchases of investments	(78,041)	(92,980)
Sales of investments	82,981	85,747
Net cash inflow from operating activities before finance costs[1]	**4,504**	**15,656**
Interest paid	(320)	(343)
Taxation on investment income	(15)	(22)
Net cash inflow from operating activities	**4,169**	**15,291**
Financing activities		
Equity dividends paid	(8,317)	(8,418)
Buy-back of ordinary shares	(3,906)	(42)
Proceeds from predecessor company	36	–
Drawdown/(repayment) of loans	5,483	(6,573)
Net cash outflow from financing	**(6,704)**	**(15,033)**
(Decrease)/increase in cash and cash equivalents	**(2,535)**	**258**
Cash and cash equivalents at start of year	4,197	3,735
Exchange movements	144	204
Cash and cash equivalents at 30 April	**1,806**	**4,197**

1 Cash inflow from interest income was £8,892,000 (2021: £8,888,000) and cash inflow from dividends was £264,000 (2021: £264,000)

The notes on pages 62 to 78 form part of these financial statements

Notes to the Financial Statements

1 General information

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

2 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the IFRS Interpretations Committee (IFRS IC) that remain in effect, to the extent that IFRSs have been adopted by the UK Endorsement Board dated April 2021. Where presentational guidance set out in the Statement of Recommended Practice ('the SORP') for investment companies issued by the Association of Investment Companies ('the AIC') is consistent with the requirements of UK-adopted international accounting standards, the directors have sought to prepare the financial statements on a basis consistent with the recommendations of the SORP.

b) Accounting standards

i) The following new and amended standards are relevant and applicable to the Company and have been adopted.

There has been no impact on the financial statements as a result of these new and amended standards.

Amendments to International Accounting Standards in conformity with the requirements of the Act issued and effective for the current year end:

Standards		Effective for annual periods beginning on or after
IAS 39, IFRS 4, 7, 9 and 16 Amendments	Interest Benchmark Reform Phase 2	1 January 2021

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

Standards		Effective for annual periods beginning on or after
IAS 1 Amendments	Classification of Liabilities as current or non-current	1 January 2023
IAS 1 Amendments	Disclosure of Accounting Policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 16 Amendments	Proceeds before intended use	1 January 2022
IAS 37 Amendments	Onerous Contracts – Cost of fulfilling a contract	1 January 2022
IAS 41, IFRS 1, 9 and 16 Amendments	Annual Improvements 2018-20 Cycle	1 January 2022
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022

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

c) Going concern

The directors have considered the impact of the conflict in Ukraine and the ongoing impact of COVID-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants of the former and renewed loan facility and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayment of the bank loans, as they fall due for a period of at least twelve months from the date of issuance. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

d) Significant accounting judgments and estimates

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

e) Investments at fair value through profit or loss

The investments are managed as a portfolio on a fair value basis. All investments are accounted upon initial recognition at fair value through profit or loss. This is consistent with the Company's investment strategy and fair value information on these investments which is provided to the Board. Assets are recognised at the trade date of acquisition and are de-recognised at the trade date of the disposal. Proceeds are measured at fair value, which is regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the Company's Statement of Financial Position date, without deduction of the estimated future selling costs.

Fair value for quoted investments represents the bid-market value as at the close of business at the Company's Statement of Financial Position date. Fair value for unquoted investments or where a market value is not readily available is based on Janus Henderson's assessment of the value of the investment. Overseas investments are translated into sterling at the exchange rate ruling at the year end.

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

f) Income

Income from fixed interest securities is recognised based on the coupon payable by the instrument adjusted to spread any premium or discount on purchase or redemption over the instrument's remaining life. Bank interest and premiums on credit default swaps are recognised on an accruals basis within the revenue return column of the Statement of Comprehensive Income. In the event of a default, the income for the relevant year is allocated to capital to reduce the capital loss arising. Dividends receivable from equity shares are included in revenue on the ex-dividend basis.

g) Expenses

All administration expenses and interest payable are accounted for on an accruals basis. Expenses which are incidental to the purchase or sale of an investment are charged to the capital column of the Statement of Comprehensive Income and allocated to capital reserves. On the basis of the Board's expected long term split of returns equally between capital gains and income, the Company charges 50% of investment management fees and finance costs to capital and the other 50% to revenue.

h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using the rate of corporation tax for the accounting year.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

h) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

i) Foreign currency

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

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a capital or revenue nature.

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

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits excluding bank loans. Cash equivalents have a term of three months or less, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

k) Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. After initial recognition bank loans and overdrafts are subsequently measured at amortised cost. Finance costs, including direct issue costs and interest payable on settlement or redemption, are accounted for on an accruals basis in the Company's Statement of Comprehensive Income using the effective interest rate method.

Gains and losses are recognised through profit or loss when the loans are de-recognised, as well as through the amortisation process. The Company de-recognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

l) Derivative financial instruments

Derivative financial instruments, including credit default swaps and interest rate derivatives, are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. All gains or losses resulting from forward currency exchange contracts are allocated to the capital return. Credit default swaps (CDSs) are carried at the fair value and the net capital gains/(losses) are reflected within the '(losses)/gains on investments held at fair value through profit or loss'.

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

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

Cash collateral provided by the Company is accounted for in the Statement of Financial Position as margin cash within other receivables and is not included within cash and cash equivalents.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

m) Equity and reserves

Called up share capital represents the nominal value of ordinary shares issued.

The capital redemption reserve represents the nominal value of ordinary shares bought-back by the Company for cancellation.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that has not currently been distributed to the shareholders as a dividend.

The distributable reserve was created on cancellation of the share premium account on 20 September 2017.

The following are accounted for in the 'capital reserve':

- Expenses and finance costs charged to capital;
- Gains and losses on the disposal of investments;
- Realised foreign exchange differences of a capital nature;
- Costs of repurchasing ordinary share capital;
- Increases and decreases in the valuation of investments held at the year end; and
- Unrealised foreign exchange differences of a capital nature.

n) Distributable reserves

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

o) Dividends

Dividends paid are disclosed in the Statement of Changes in Equity. Dividends payable to shareholders are recognised in the financial statements when they are paid or in the case of final dividends, when they are approved by shareholders.

p) IFRS 8 disclosures

Under IFRS8, operating segments are considered to be components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The directors meet regularly to consider investment strategy and monitor the Company's performance. The Fund Managers, who have been appointed to manage the Company's investments, attend all Board meetings at which investment strategy and performance are discussed. The directors consider that the Company has one operating segment, being activity of investing in debt securities and derivatives in accordance with the Company's published investment objective.

All of the Company's activities are interrelated and each activity is dependent on the others. The business is not managed on a geographical basis, however an analysis of investments by country has been provided on page 15. Further analyses of expenses, investment gains or losses, profit and other assets and liabilities by country have not been given as either it is not possible to prepare such information in a meaningful way or the results are not considered to be significant.

In the year under review the Company was not exposed to a single investment that generated revenue greater than 10% of the total revenue (2021: nil).

q) Other payables and receivables

Other payables and receivables are included in the Statement of Financial Position at fair value or a reasonable approximation of fair value.

Notes to the Financial Statements (continued)

3 Investment income

	2022 £'000	2021 £'000
Income from investments:		
Dividend income	264	264
Bond and loan interest	8,488	8,532
Premiums on credit default swaps	1,201	1,239
	9,953	**10,035**

4 Other operating income

	2022 £'000	2021 £'000
Bank and other interest	17	10
	17	**10**

5 Management fee

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Investment management fee	543	543	1,086	566	565	1,131

A summary of the terms of the management agreement is given in the Strategic Report on page 23.

6 Other expenses

	2022 £'000	2021 £'000
Directors' fees and expenses	144	144
Auditors remuneration – for audit services	54	54
Other expenses payable to the management company (marketing)	61	60
Bank and custody charges	14	32
Depositary fees	27	28
Registrar's fees	22	17
AIC subscriptions	13	10
Printing expenses	17	25
Listing fees	23	22
Other expenses	90	84
	465	**476**

7 Finance costs

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
On bank loans and overdrafts payable within one year	172	172	344	166	166	332

Notes to the Financial Statements (continued)

8 Taxation

In the opinion of the directors, the Company has complied with the requirements of Section 1158 and Section 1159 of the Corporation Tax Act 2010 and will therefore be exempt from corporation tax on any capital gains reflected in the capital return during the year. The Company has elected to designate all of the proposed and paid dividends as an interest distribution to its shareholders. This distribution is treated as a tax deduction against taxable income in the revenue return and results in a reduction of corporation tax being payable by the Company at 30 April 2022.

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

a) Analysis of charge in the year

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Current tax:						
Overseas withholding tax	15	–	15	22	–	22
Total tax charge for the year	**15**	**–**	**15**	**22**	**–**	**22**

b) Factors affecting the current tax charge for the year

	2022 Revenue return £'000	2022 Capital return £'000	2022 Total £'000	2021 Revenue return £'000	2021 Capital return £'000	2021 Total £'000
Net return before taxation	8,790	(23,891)	(15,101)	8,837	12,741	21,578
UK corporation tax charge at 19%	1,670	(4,539)	(2,869)	1,679	2,421	4,100
Effects of:						
UK dividends	(50)	–	(50)	(50)	–	(50)
Currency losses/(gains)	–	1,329	1,329	–	(2,692)	(2,692)
Realised/unrealised losses on investments	–	3,074	3,074	–	132	132
Income being paid as interest distribution	(1,520)	–	(1,520)	(1,549)	–	(1,549)
(Utilised)/excess management expenses and loan relationships	(100)	136	36	(80)	139	59
Irrecoverable overseas withholding tax	15	–	15	22	–	22
Total tax charge for the year	**15**	**–**	**15**	**22**	**–**	**22**

c) Provision for deferred taxation

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

The Company has not provided for deferred taxation on capital gains or losses arising on the revaluation in investments as it is exempt from tax on these items because of its status as an investment trust company, which it intends to maintain for the foreseeable future.

The Company has not recognised a deferred tax asset totalling £1,037,000 (2021: £803,000) based on the prospective corporation tax rate of 25%. The deferred tax asset arises as a result of having unutilised management expenses and unutilised non-trade loan relationship deficits. These expenses will only be utilised, to any material extent, if the Company has profits chargeable to corporation tax in the future because changes are made either to the tax treatment of the capital gains made by investment trusts or to the Company's investment profile which require them to be used.

d) Factors that may affect future tax charges

With effect from 1 April 2023 the prospective corporation tax rate on which this is based will increase to 25%.

Notes to the Financial Statements (continued)

9 (Loss)/earnings per ordinary share

The total (loss)/earnings per ordinary share figure is based on the net loss attributable to the ordinary shares of £15,116,000 and on 188,788,384 ordinary shares (2021: profit £21,556,000 on 191,312,174 ordinary shares) being the weighted average number of ordinary shares in issue during the period, excluding shares held in treasury.

The total (loss)/earnings can be further analysed as follows:

	2022 £'000	2021 £'000
Revenue profit	8,775	8,815
Capital (loss)/profit	(23,891)	12,741
(Loss)/profit for the year	**(15,116)**	**21,556**
Weighted average number of ordinary shares	188,788,384	191,312,174
Revenue earnings per ordinary share	4.65p	4.61p
Capital (loss)/earnings per ordinary share	(12.66p)	6.66p
(Loss)/earnings per ordinary share	**(8.01p)**	**11.27p**

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

10 Dividends

Dividends on ordinary shares	Record date	Payment date	**2022 £'000**	2021 £'000
Fourth interim divided (1.10p) for the period ended 30 April 2021 (2020 – 1.10p)	4 June 2021	30 June 2021	2,104	2,104
First interim dividend (1.10p) for the period ended 30 April 2022 (2021 – 1.10p)	3 September 2021	30 September 2021	2,085	2,105
Second interim dividend (1.10p) for the period ended 30 April 2022 (2021 – 1.10p)	3 December 2021	31 December 2021	2,066	2,104
Third interim dividend (1.10p) for the period ended 30 April 2022 (2021 – 1.10p)	4 March 2022	31 March 2022	2,062	2,105
			8,317	**8,418**

The fourth interim dividend has not been included as a liability in these financial statements as it was announced and paid after 30 April 2022.

	For the year ended 30 April 2022 £'000	For the year ended 30 April 2021 £'000
Revenue available for distribution by way of dividends	8,775	8,815
First interim dividend	(2,085)	(2,105)
Second interim dividend	(2,066)	(2,104)
Third interim dividend	(2,062)	(2,105)
Fourth interim dividend	(2,052)	(2,104)
	510	**397**

Notes to the Financial Statements (continued)

11 Investments at fair value through profit or loss

	2022 £'000	2021 £'000
Cost at beginning of year	201,154	181,605
Holding gains	998	6,040
Valuation at beginning of year	**202,152**	**187,645**
Movements		
Purchases at cost	71,045	99,142
Sales – proceeds	(89,000)	(82,760)
Losses on investments	(10,973)	(1,875)
Valuation at end of year	**173,224**	**202,152**
Cost at end of year	181,862	201,154
Holding (losses)/gains	(8,638)	998
Valuation at end of year	**173,224**	**202,152**

(Losses)/gains on investments held at fair value through profit and loss	2022 £'000	2021 £'000
Realised (losses)/gains on sales of investments at fair value through profit and loss	(1,337)	3,167
Movement in investment holdings (losses)/gains at fair value through profit and loss	(22,687)	7,530
Realised (losses)/gains on sales of credit default swaps at fair value through profit and loss	(912)	3,593
Losses on credit default swaps held at fair value through profit and loss	(1,127)	(760)
	(26,063)	**13,530**

The Company received £89,000,000 (2021: £84,866,000 from investments sold in the year. The book cost of these investments when they were purchased was £90,337,000 (2021: £81,699,000). These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of the investments.

During the year expenses amounting to nil (2021: £nil) were incurred in acquiring or disposing of investments at fair value through profit or loss. These have been expensed through capital and are included within (losses)/gains on investments at fair value through profit or loss in the Statement of Comprehensive Income.

12 Other receivables

	2022 £'000	2021 £'000
Amounts due from brokers	6,019	–
Amounts due from margin accounts	1,134	–
Prepayments and accrued income	2,678	2,492
Credit default swaps held at fair value through profit and loss	727	2,972
	10,558	**5,464**

13 Other payables

	2022 £'000	2021 £'000
Amounts due to brokers	578	7,574
Amounts due to margin accounts	–	865
Interest payable	44	20
Other payables	748	481
Currency forward exchange contracts held at fair value through profit and loss	4,256	1,091
	5,626	**10,031**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures

14.1 Market risk

Janus Henderson assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

14.1.1 Market price risk

Market price risk (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the fair value of quoted and unquoted investments.

Management of the risk

The Board of directors manages the risks inherent in the investment policy by setting allocation limits (page 19) and monitoring this asset allocation in the portfolio through regular and timely reporting of relevant information from Janus Henderson. Investment performance is reviewed at each Board meeting. The Board monitors Janus Henderson's compliance with the Company's objectives and is directly responsible for investment strategy and asset allocation.

The Company's exposure to changes in market prices on its investments was as follows:

	2022 £'000	2021 £'000
High yield bonds	100,488	130,450
Investment grade bonds	48,817	49,203
Secured loans	16,160	13,335
Preference stock	6,799	7,477
Asset backed securities	960	1,687
	173,224	**202,152**

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

	2022		2021	
	Increase in fair value £'000	Decrease in fair value £'000	Increase in fair value £'000	Decrease in fair value £'000
Statement of Comprehensive Income - profit after tax				
Revenue return	(45)	45	(53)	53
Capital return	17,277	(17,277)	20,162	(20,162)
Change to profit after tax for the year and net assets	**17,232**	**(17,232)**	**20,109**	**(20,109)**

14.1.2 Currency risk

A proportion of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and presentational currency). 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 future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are used to achieve the portfolio characteristics that assist the Company in meeting its investment objective. These contracts are limited to currencies and amounts equivalent to the asset exposure to those currencies.

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

Foreign currency exposure

The currency exposure of the Company's monetary items at 30 April is shown below. Where the Company's investments (which are not monetary items) are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.2 Currency risk (continued)

	2022			2021		
	AUD	US$	EURO	AUD	US$	EURO
Investments at fair value through profit or loss	1,857	105,073	22,097	2,099	129,689	25,777
Receivables (due from brokers, dividends and other income receivables)	13	6,292	429	12	1,415	379
Cash at bank and on deposit/(bank overdraft)	–	178	(43)	–	3	(3,065)
Payables (due to brokers, accruals and creditors)	–	–	–	–	(2,552)	(3,174)
Forward currency sales	(1,871)	(111,784)	(23,499)	(2,111)	(128,281)	(22,760)
Credit default swaps	–	–	727	–	–	2,972
	(1)	**(241)**	**(289)**	**–**	**274**	**129**

The above amounts are not necessarily representative of the exposure risk during the year as levels of monetary foreign currency exposure change significantly throughout the year.

Foreign currency sensitivity

A 10% increase or decrease in the Euro/Sterling exchange rate would increase or decrease total equity by £29,000 (2021: £13,000).
A 10% increase or decrease in the US/Sterling exchange rate would increase or decrease total equity by £24,000 (2021: £27,000).
A 10% increase or decrease in the AUD/Sterling exchange rate would increase or decrease total equity by £nil (2021: £nil).

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

The above percentages are deemed reasonably possible based on the average market volatility in exchange rates in recent years. The sensitivity analysis is based on the Company's foreign currency financial assets and financial liabilities held at the Statement of Financial Position date, with all other variables held constant.

14.1.3 Interest rate risk

Interest rate movements may affect:

- the fair value of fixed interest securities (bonds, loans and interest rate futures); and
- the level of income receivable from fixed interest securities because as the Company reinvests income, a change in rates will impact the rate that the reinvested money will yield; and
- the level of income from cash at bank and on deposit; and
- the interest payable on the Company's variable rate borrowings.

Management of the risk

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

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

The Board supports the Fund Managers' use of interest rate derivatives to mitigate interest rate risk and manage duration.

The Company, generally, will not hold significant cash balances, with short term borrowings being used when required. The Company had no interest rate futures in place at 30 April 2022 (2021: £nil).

Interest rate exposure

The exposure at 30 April 2022 of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates – when the interest rate is due to be re-set; and
- fixed interest rates – when the financial instrument is due for repayment.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.1.3 Interest rate risk (continued)

	2022				2021			
	Within one year £'000	One to five years £'000	More than five years £'000	Total £'000	Within one year £'000	One to five years £'000	More than five years £'000	Total £'000
Exposure to floating interest rates:								
Investments at fair value through profit and loss	–	7,902	16,017	23,919	–	5,063	17,436	22,499
Cash and cash equivalents	1,806	–	–	1,806	4,197	–	–	4,197
Bank loan	(31,545)	–	–	(31,545)	(26,062)	–	–	(26,062)
	(29,739)	**7,902**	**16,017**	**(5,820)**	**(21,865)**	**5,063**	**17,436**	**634**
Exposure to fixed interest rates:								
Investments at fair value through profit or loss	–	27,144	122,161	149,305	–	25,416	154,237	179,653
	–	**27,144**	**122,161**	**149,305**	**–**	**25,416**	**154,237**	**179,653**

At 30 April 2022 and 2021, the Company had no exposure to interest rate futures and swaps, other than the credit default swaps.

Interest receivable is at the following rates:

- Interest received on cash balances, or paid on bank overdrafts and loans, is at margin over SONIA or its foreign currency equivalent; and
- The weighted average effective interest rate of the Company's investments is 5.0% (2021: 5.1%).

Interest rate sensitivity

The Company is primarily exposed to interest rate risk through cash balances and fixed income investments. The sensitivity of each exposure is as follows:

- Cash – Cash balances vary throughout the year. Cash balances at the year end were £1,806,000 (2021: £4,197,000) and, if that level of cash was maintained for a full year, a 100 basis point change in interest rates (up or down) would increase or decrease total return on activities after taxation by approximately £18,000 (2021: £42,000).
- Fixed income investment sensitivity – The Company's investment portfolio at 30 April 2022 was valued at £166,425,000 (2021: £194,675,000) and has a modified duration (interest rate sensitivity) of approximately 6.41 years (2021: 6.07 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 return by approximately £10,668,000 (2021: £11,817,000).
- Interest on borrowings – The level of borrowings varies throughout the year. Borrowings at the year end were £31,545,000 (2021: £26,062,000) and if that level of borrowings was maintained for a full year, a 100 basis point change in interest rates (up or down) would decrease or increase total return on activities after taxation by approximately £315,000 (2021: £261,000).

14.2 Liquidity risk

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

Management of the risk

Liquidity risk is monitored by Janus Henderson on a daily basis to ensure financial liabilities can be paid as they fall due. Both the corporate bond portfolio and the loan portfolio although traded over the counter, should be able to be realised at or around the prevailing bid prices. The corporate bond portfolio is generally considered more liquid than the loan portfolio. The Company also had a multicurrency loan facility with BNP Paribas of £35,500,000 with an additional £10,000,000 commitment being available (2021: same), of which £31,545,000 was drawn down at 30 April 2022 (2021: £26,062,000). The previous loan facility with BNPPSS expired on 30 June 2022. The facility was renewed on substantively the same terms on 1 July 2022 for a period of two years and will therefore expire on 30 June 2024. The facility between BNPPSS and the Company is secured by a first priority security interest over all the assets of the Company. The Board gives guidance to Janus Henderson as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short term borrowings be used to manage short term cash requirements.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.2 Liquidity risk (continued)

Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 30 April, based on the earliest date on which payment can be required was as follows:

	At 30 April 2022				At 30 April 2021			
	3 months or less £'000	More than 3 months, less than one year £'000	More than one year £'000	Total £'000	3 months or less £'000	More than 3 months, less than one year £'000	More than one year £'000	Total £'000
Current liabilities:								
Amounts due to brokers, accruals and tax payable	5,582	–	–	5,582	9,146	–	–	9,146
Amounts due to margin accounts	–	–	–	–	865	–	–	865
Bank loan including interest	31,613	–	–	31,613	26,101	–	–	26,101
	37,195	**–**	**–**	**37,195**	**36,112**	**–**	**–**	**36,112**

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

	Value at 2022					
	Less than 5 years £'000	More than 5 years, less than 10 years £'000	More than 10 years, less than 20 years £'000	More than 20 years £'000	Perpetuity £'000	Total £'000
High yield bonds	23,308	62,167	555	–	14,458	100,488
Investment grade bonds	3,837	22,753	6,718	9,472	6,037	48,817
Secured loans	7,902	8,258	–	–	–	16,160
Preference stock	–	–	–	–	6,799	6,799
Asset backed securities	–	–	960	–	–	960
	35,047	**93,178**	**8,233**	**9,472**	**27,294**	**173,224**

	Value at 2021					
	Less than 5 years £'000	More than 5 years, less than 10 years £'000	More than 10 years, less than 20 years £'000	More than 20 years £'000	Perpetuity £'000	Total £'000
High yield bonds	22,456	87,474	893	2,977	16,650	130,450
Investment grade bonds	2,961	23,108	10,941	9,199	2,994	49,203
Secured loans	5,062	8,273	–	–	–	13,335
Preference stock	–	–	–	–	7,477	7,477
Asset backed securities	–	–	1,687	–	–	1,687
	30,479	**118,855**	**13,521**	**12,176**	**27,121**	**202,152**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.3 Credit risk

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

Management of the risk

The risk is significant, and is managed as follows:

- where Janus Henderson makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to determine the risk to the Company of default;
- investments in bonds and loans are made across a variety of industry sectors and geographical markets, so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by Janus Henderson and limits are set on the amount that may be due from any one broker; and
- cash at bank is held only with reputable banks with high quality external credit ratings (currently BNPPSS, the credit rating of which is A1).

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 Janus Henderson for two purposes. By selling protection (going long risk) Janus Henderson can increase the Company's exposure to a particular reference entity. In return for taking this credit risk the Company will receive a specified income over the life of the contract but will be exposed to capital losses should the reference entity breach the terms of the contract (e.g. default) in the intervening period. This reference entity may be a specific company, or in the case of ITRAXX indices, a basket of credit exposures, for example senior financials. At 30 April 2022, the Company had gross exposure of nil (2021: nil) to a single named credit default swap. At 30 April 2022, the gross exposure to ITRAXX indices was £24,254,000 (2021: £27,317,000) where protection has been sold.

By contrast Janus Henderson may buy protection (take a short risk position) on a reference entity to reduce the overall credit exposure. This would involve the payment of premium in order to protect against possible capital losses in the future. At 30 April 2022 the protection purchased was nil (2021: nil).

The credit quality of bonds and secured loans is reviewed in the Fund Managers' Report and Investment Portfolio on pages 8 to 10 and pages 12 to 16 respectively. None of the Company's financial assets are past due or impaired.

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

Rating	**2022 Market value £'000**	**2022 % of portfolio**	2021 Market value £'000	2021 % of portfolio
A	3,101	1.8	2,266	1.1
BBB	45,528	26.3	48,401	24.0
BB	45,940	26.5	62,798	31.1
B	37,861	21.9	43,720	21.6
CCC	5,738	3.3	9,334	4.6
Non-rated	18,896	10.9	22,298	11.0
Secured loans	16,160	9.3	13,335	6.6
	173,224	**100.0**	**202,152**	**100.0**

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.4 Fair values of financial assets and financial liabilities

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

Current assets and current liabilities: forward currency sales are valued on the basis of exchange rates for a similar contract for the same residual duration, as provided by the counterparty. The amount of change in fair value for such forward exchange contracts recognised in the Statement of Comprehensive Income for the year was a loss of £3,165,000 (2021: loss of £1,655,000). The forward currency transactions serve to hedge back the value of AUS Dollar, Euro and US Dollar denominated securities to sterling.

Credit default swaps are fair valued. The amount of change in fair value recognised in the Statement of Comprehensive Income for the year for credit default swaps was a loss of £2,039,000 (2021: gain of £2,833,000).

14.5 Fair value hierarchy

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

2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit or loss:				
Investments	152,690	20,534	–	173,224
Credit default swaps	–	727	–	727
	152,690	**21,261**	**–**	**173,951**
Financial liabilities at fair value through profit or loss:				
Currency forward exchange contracts	–	4,256	–	4,256
	–	**4,256**	**–**	**4,256**

2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss:				
Investments	184,055	18,097	–	202,152
Credit default swaps	–	2,972	–	2,972
	184,055	**21,069**	**–**	**205,124**
Financial liabilities at fair value through profit or loss:				
Currency forward exchange contracts	–	1,091	–	1,091
	–	**1,091**	**–**	**1,091**

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

At the end of the year, the levels of each investment have been assessed in line with the criteria below. Any investments that did not meet the level 1 criteria have been classified as level 2. This will include any investments where there is insufficient liquidity in trading volumes at the year end. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

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

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1. Secured loans are valued taking into account latest dealing prices, broker quotes and valuations from independent valuation providers; and

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data. There were no transfers to or from Level 3 during the year.

Notes to the Financial Statements (continued)

14 Risk management policies and procedures (continued)

14.6 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it has sufficient capital to operate; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The policy is that debt should be between 0% and 40% of equity.

The Company had borrowings totalling £31,545,000 at 30 April 2022 (2021: £26,062,000).

As at 30 April 2022, the ratio of borrowings to net assets under the facilities was 21.3% (2021: 14.8%).

The Board with the assistance of Janus Henderson monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing which takes into account the Fund Managers view on the market;
- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares; and
- the extent to which distributable capital reserves should be used to make dividend payments and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to the following externally imposed capital requirement:

- as a public company, the Company has a minimum share capital of £50,000;
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the capital restrictions tests imposed on investment companies by law and its Articles of Association; and
- under the existing loan facility if at any time the Company's Loan to Value (LTV) Ratio with respect to the Borrower exceeds the Maximum LTV Ratio (as defined in the agreement), the Company shall within three Business Days be required to repay the outstanding principal of the loans in such amount as shall be necessary to reduce the LTV Ratio to equal to or less than 97% of the Maximum LTV Ratio.

The Company has complied with these requirements during the year.

15 Share capital

	2022			2021		
	Number of shares entitled to dividend	**Total number of shares**	**Nominal value of shares £'000**	Number of shares entitled to dividend	Total number of shares	Nominal value of shares £'000
Ordinary shares of 1p each						
At start of year	191,267,033	191,267,033	1,912	191,318,240	191,318,240	1,913
Buy-back of shares for cancellation	(3,832,730)	(3,832,730)	(38)	(51,207)	(51,207)	(1)
Buy-back of shares to Treasury	(875,084)	(875,084)	(9)	–	–	–
	186,559,219	**186,559,219**	**1,865**	**191,267,033**	**191,267,033**	**1,912**
Treasury shares:						
Buy-back of shares to Treasury	875,084	875,084	9	–	–	–
Closing balance at 30 April	**187,434,303**	**187,434,303**	**1,874**	**191,267,033**	**191,267,033**	**1,912**

At 30 April 2022, shares held in Treasury represented 0.5% (2021: nil) of the Company's total issued share capital.

During the year to 30 April 2022 4,707,814 ordinary shares were bought back at a cost of £3,906,000 (2021: 51,207 ordinary shares were bought back at a cost of £42,000). 3,832,730 of the shares bought back were cancelled, and 875,084 are held in treasury.

The holders of ordinary shares are entitled to all the capital growth in the Company and all the income from the Company that is resolved by the Directors to be distributed. Each shareholder present at a general meeting has one vote on a show of hands and on a poll every member present in person or by proxy has one vote for each share held.

Notes to the Financial Statements (continued)

16 Capital redemption reserve

	2022 £'000	2021 £'000
At start of year	1	–
Buy-back of shares for cancellation	38	1
At 30 April	**39**	**1**

17 Share premium account

	2022 £'000	2021 £'000
At start of year	1,576	1,576
At 30 April	**1,576**	**1,576**

18 Distributable reserve

	2022 £'000	2021 £'000
At start of year	165,533	165,533
At 30 April	**165,533**	**165,533**

19 Capital reserves

	2022			2021		
	Capital reserve arising on revaluation on investments held £'000	Capital reserve arising on investments sold £'000	Total £'000	Capital reserve arising on revaluation on investments held £'000	Capital reserve arising on investments sold £'000	Total £'000
At start of year	232	3,725	3,957	7,689	(16,431)	(8,742)
Exchange movements[1]	9,886	(6,999)	2,887	(14,227)	14,169	(58)
Movement in unrealised (depreciation)/appreciation[1]	(22,687)	–	(22,687)	7,530	–	7,530
(Losses)/gains on investments	–	(1,337)	(1,337)	–	3,167	3,167
Costs charged to capital	–	(715)	(715)	–	(731)	(731)
Cost of share buy-backs	–	(3,906)	(3,906)	–	(42)	(42)
Movement in credit default swaps	(1,127)	(912)	(2,039)	(760)	3,593	2,833
Proceeds from predecessor company[2]	–	36	36	–	–	–
At end of year	**(13,696)**	**(10,108)**	**(23,804)**	**232**	**3,725**	**3,957**

1 There has been a transfer of (£13,051,000) (2021: £12,572,000) foreign exchange movements between these lines to reflect how the forward foreign exchange contracts hedge the portfolio

2 During the year the Company received £36,000 additional proceeds following the completion of the liquidation of the predecessor company Henderson Diversified Income Limited

20 Net asset value per ordinary share

The net asset value per ordinary share is based on the net asset value attributable to ordinary shareholders at 30 April 2022 of £148,417,000 (2021: £175,720,000) and on 186,559,219 (2021: 191,267,033) ordinary shares, being the number of ordinary shares in issue at the year end, excluding shares held in treasury.

Notes to the Financial Statements (continued)

21 Reconciliation of liabilities arising from financing activities

	At start of year £'000	Cash flows £'000	Exchange movements £'000	Other non-cash movements £'000	30 April 2022 £'000
Bank loans (see Note 14.2)	26,062	5,483	–	–	31,545
	26,062	**5,483**	**–**	**–**	**31,545**

	At start of year £'000	Cash flows £'000	Exchange movements £'000	Other non-cash movements £'000	30 April 2021 £'000
Bank loans (see Note 14.2)	32,635	(6,573)	–	–	26,062
	32,635	**(6,573)**	**–**	**–**	**26,062**

22 Contingent liabilities

There were no contingent liabilities as at 30 April 2022 (2021: nil).

23 Transactions with the Manager

Under the terms of an agreement effective from 3 March 2017, the Company appointed Janus Henderson to provide investment management, accounting, administrative and secretarial services. Janus Henderson has contracted with BNP Securities Services to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic report on page 23. The total fees paid or payable under this agreement to Janus Henderson in respect of the year ended 30 April 2022 were £1,086,000 (2021: £1,131,000) (see note 5) of which £612,000 (2021: £378,000) is included in the accruals at 30 April 2022.

In addition to the above services, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Total amounts paid to Janus Henderson in respect of marketing for the year ended 30 April 2022 amounted to £61,000 (2021: £60,000).

The compensation payable to key management personnel in respect of the short term employment benefits was £144,000 (2021: £144,000). The disclosure relates wholly to the fees of £144,000 (2021: £144,000) payable to the Directors in respect of the year; the Directors are all non-executive and receive no other compensation. The Directors' Remuneration Report on pages 45 to 47 provides more details. The Company has no employees.

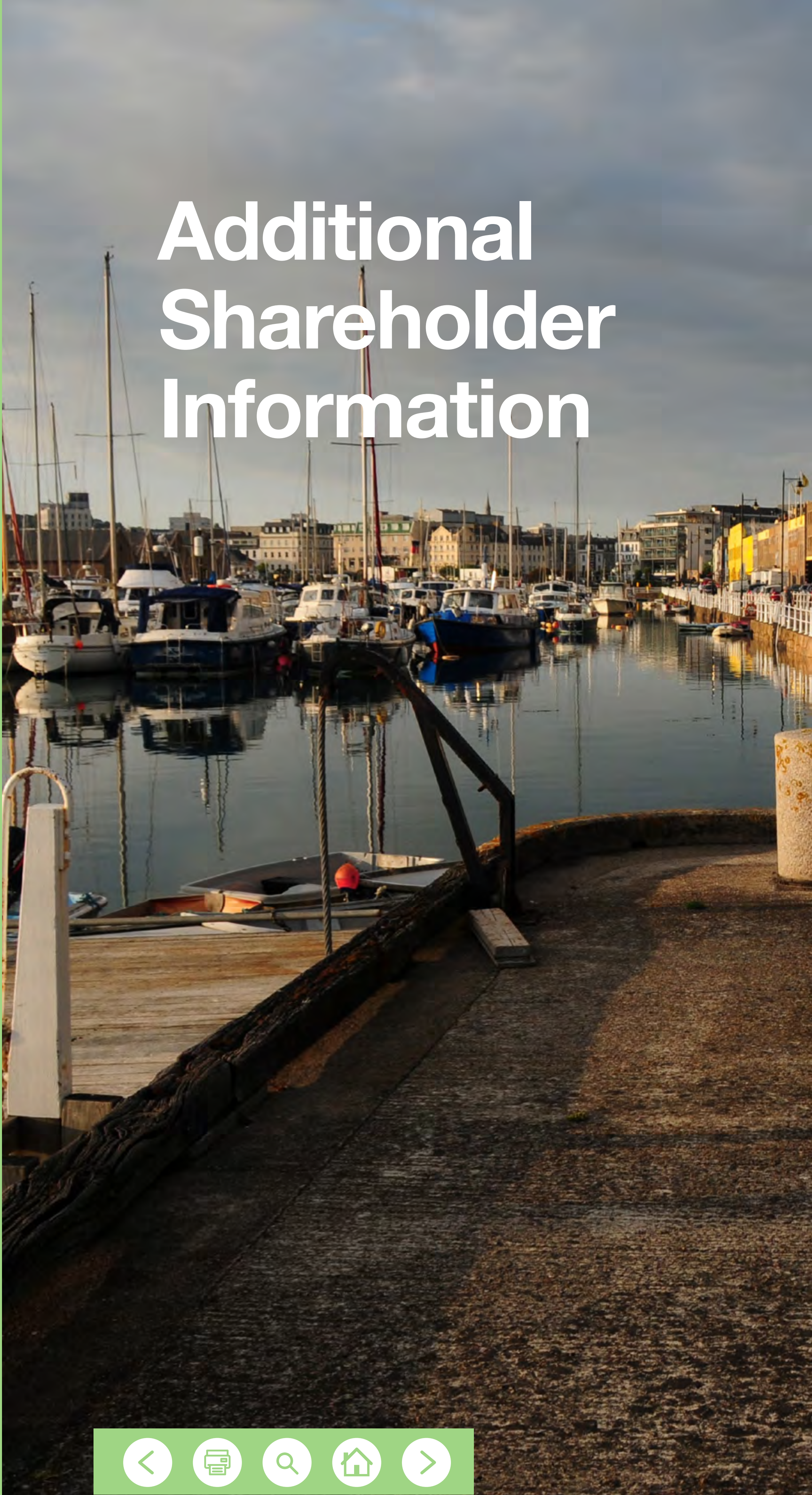
24 Subsequent Events

On 22 June 2022, the Company purchased 965,000 shares at a price of 67.49p each which were placed in Treasury. Following this, the Company's issued ordinary share capital was 187,434,303. A total of 1,840,084 shares are held in Treasury, and the total voting rights in the Company is therefore 185,594,219.

On 1 July 2022, the Company's loan facility with BNP Paribas was renewed for a two year period.

The directors have evaluated the period since the year end and have not noted any other subsequent events.

Additional Shareholder Information



Glossary

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and transposed into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and Depositary to manage and oversee the operations of the investment vehicle. The Board retains responsibility for strategy, operations and compliance and the directors retain a fiduciary duty to shareholders.

Alternative Performance Measures (APM)

A glossary of alternative performance measures can be found on pages 82 to 83.

Asset Backed Security

An asset backed security is a type of financial investment that is collateralised by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, or receivables. It takes the form of a bond or note, paying income at a fixed rate for a set amount of time, until maturity.

Association of Investment Companies (AIC)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities. The Company's AIC sector is Debt – Loans & Bonds.

Benchmark

An index against which performance is compared. The Company's benchmark is a blend of 60% Global High Yield Credit (ICE Bank of America High Yield Constrained Index); 25% Global Investment Grade Corporate Credit (ICE Bank of America Global BBB Corporate Bond Index), and; 15% European Loans (Credit Suisse Western European Leveraged Loan Index).

Credit Default Swaps

A financial contract whereby a buyer of corporate or sovereign debt in the form of bonds attempts to eliminate possible loss arising from default by the issuer of the bonds. The swap agreement is such that the seller of the agreement will compensate the buyer in the event of a loan default. The buyer does not need to hold the loan instrument to buy the swap.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

As an AIF the Company is required to appoint a Depositary which has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets. The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference. Foreign exchange, interest rates and commodities may also be traded using derivative contracts.

Dividend Dates

When declared or announced, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's registrar to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value will be disclosed ex-dividend.

Floating Rate Asset

Bonds that have a variable coupon, equal to a money market reference rate, like SONIA, plus a quoted spread. The spread is a rate that remains constant.

High Yield Bonds

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

Glossary (continued)

Interest Rate Futures

A financial derivative (a futures contract) with an interest-bearing instrument as the underlying asset. They are used to hedge against the risk that interest rates will move in an adverse direction.

Interest Rate Swaps

A contract to exchange fixed payments for floating payments linked to an interest rate, and is generally used to manage exposure to fluctuations in interest rates.

Interest Streaming

An investment company may elect to pay distributions to shareholders as interest in order to reduce the taxable profits of the investment company, known as 'interest streaming'. An interest distribution still has the status of a dividend as a matter of company law and is paid in cash in the same way that a dividend is paid. The receipt of interest distributions by a shareholder who is resident in the UK will be taxed as though that shareholder received interest income and not at the rates that would be applied to dividends. Investors who have invested through a tax exempt wrapper (e.g. ISA or SIPP) should be exempt from tax on both dividends and interest distributions.

Investment Grade Bonds

These bonds pay a higher rate of interest than government bonds, known as the spread, to reflect the higher risk. Investment grade bonds are at the lower risk/lower return end of the corporate bond market and are typically issued by blue chip companies. They are rated BBB- and above (by Standard & Poor's, Moody's or a similar recognised rating agency). This rating signifies that historically such bonds suffer relatively low rates of default.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation

The market value of a company, calculated by multiplying the mid-market price per share by the number of shares in issue.

Preference Stock

Preferred stock refers to a class of ownership that has a higher claim on assets and earnings than common stock has.

Retail Price Index

An inflationary indicator that measures the change in the cost of a fixed basket of retail goods.

Secured Loans

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

Sterling Overnight Index Average Rate (SONIA)

The effective overnight interest rate paid by banks for unsecured transactions in the British sterling market. It is used for overnight funding for trades that occur in off-hours and represents the depth of overnight business in the marketplace.

Alternative Performance Measures (Unaudited)

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

Discount or Premium

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

	NAV pence	Share price pence	Premium/ (discount) to NAV %
At 30 April 2022	79.55	73.80	(7.2)
At 30 April 2021	91.87	88.00	(4.2)

Financial Gearing

The financial gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market and also takes into account the exposure to hedging and derivatives which have a gearing effect. This figure indicates the extra amount by which total equity would move if the Company's investments were to rise or fall. This is calculated by taking the difference between total investments and total equity (see Statement of Financial Position) divided by total equity and multiplied by 100.

		2022	2021
Investments at fair value through profit or loss (£'000) (page 60)	(A)	173,224	202,152
Net assets (£'000) (page 60)	(B)	148,417	175,720
Gearing (A/B)/B – 1 (%)	(C)	16.7	15.0

Synthetic Gearing

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

		2022	2021
Credit default swaps (£'000)	(A)	24,254	27,317
Net assets (page 60) (£'000)	(B)	148,417	175,720
Gearing (C = (A/B)) (%)	(C)	16.3	15.5

Net Asset Value (NAV) per Ordinary Share

The value of the Company's assets (i.e. investments at fair value through profit or loss (see Note 11) and cash held (see Statement of Financial Position)) less any liabilities (i.e. financial liabilities (see Note 14)) for which the Company is responsible divided by the number of ordinary shares in issue (see Note 15). The aggregate NAV is also referred to as total equity shareholders' funds in the Statement of Financial Position. The NAV per ordinary share is published daily and the year end NAV can be found on page 3 and further information is available on page 77 in Note 20.

Alternative Performance Measures (Unaudited)

(continued)

Ongoing Charge

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

	2022	2021
Management fees (Note 5)	1,086	1,131
Other expenses (Note 6)	465	476
Ongoing charge (£'000)	**1,551**	**1,607**
Average net assets[1] (£'000)	**169,556**	**173,686**
Ongoing charge ratio (%)	**0.91**	**0.93**

1 Calculated using the average daily net asset value

The ongoing costs provided in the Company's Key Information Document (KID) is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs.

Revenue Return per Ordinary Share

The revenue return per ordinary share is the revenue return for the year (see Statement of Comprehensive Income) divided by the weighted average number of ordinary shares in issue during the year (see Note 9 on page 68).

Total Return

The return on the share price or NAV taking into account both the rise and fall of NAV/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return). Dividends paid and payable are set out in Note 10 on page 68.

	2022	2021
NAV per share at 30 April 2021 and 30 April 2020 (p)	91.87	85.00
NAV per share at 30 April 2022 and 30 April 2021 (p)	79.55	91.87
Change in the year (%)	(13.4)	8.1
Impact of dividends reinvested (%)	5.0	4.9
NAV total return for the year (%)	**(9.0)**	**13.5**

	2022	2021
Share price per share at 30 April 2021 and 30 April 2020 (p)	88.00	83.00
Share price per share at 30 April 2022 and 30 April 2021 (p)	73.80	88.00
Change in the year (%)	(16.1)	6.0
Impact of dividends reinvested (%)	5.4	5.1
Share price total return for the year (%)	**(10.4)**	**10.7**

Dividend Yield

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

		30 April 2022	30 April 2021
Annual dividend (p)	(A)	4.40	4.40
Share price (p)	(B)	73.80	88.00
Yield (C=A/B) (%)	(C)	6.0	5.0

General Shareholder Information

AIFMD Disclosures

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

BACS

Dividends can be paid by means of Bankers' Automated Clearing Services (BACS); mandate forms for this purpose are available from the Registrar, Computershare Investor Services PLC. Alternatively, shareholders can write to the Registrar (the address is given on page 86) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information which requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act

Copies of this Annual Report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Foreign Account Tax Compliance Act (FATCA)

FATCA is a United States federal law whose intent is to enforce the requirement for United States persons (including those living outside the US) to file yearly reports on their non-US financial accounts. Investment trusts need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company therefore makes an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, identify and report US reportable accounts to HMRC, as required.

General Data Protection Regulation (GDPR)

A privacy statement can be found on the website **https://www.janushenderson.com/en-gb/investor/bio/gdpr/**.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 1p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs)/Key Information Document (KID)

Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General Shareholder Information (continued)

Performance Details/Share Price Information

Details of the Company's share price and NAV per share can be found on the website **www.hendersondiversifiedincome.com**. The Company's NAV is published daily.

The market price of the Company's ordinary shares is published daily in The Financial Times, which also shows figures for the estimated NAV per share and discount.

The market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**. Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

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

Corporate Information

Registered Office

201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

Service Providers

Alternative Investment Fund Manager

Janus Henderson Fund Management UK Limited
201 Bishopsgate
London
EC2M 3AE

Corporate Secretary

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

Depositary and Custodian

BNP Paribas Trust Corporation UK Limited
10 Harewood Avenue
London
NW1 3AE

Stockbrokers

J. P. Morgan Cazenove Limited
25 Bank Street
London
E14 5JP

Registrar

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

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

Independent Auditors

Mazars LLP
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Financial Calendar

Annual General Meeting	4 October 2022
First Interim Dividend	30 September 2022
Second Interim Dividend	30 December 2022
Half Year Results	January 2023
Third Interim Dividend	31 March 2023
Fourth Interim Dividend	30 June 2023

Information Sources

For more information about the Company, visit the website at **www.hendersondiversifiedincome.com**

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

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

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

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

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

www.hendersondiversifiedincome.com

MANAGED BY
Janus Henderson
INVESTORS

aic
The Association of
Investment Companies

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

moneywise Investment Trust awards 2017
WINNER
INVESTMENT TRUST GROUP OF THE YEAR
Henderson Global Investors

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