The Diverse Income Trust plc

Annual Report for the period ended 31 May 2012

117 17-7-12

Contents

Capital Structure, Investment Objective and Policy

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The Diverse Income Trust plc ("the Company") was incorporated on 30 March 2011 Following a placing and offer for subscription, the ordinary shares were admitted to trading on the London Stock Exchange on 28 April 2011

Capital Structure
The Company's share capital consists of redeemable ordinary shares of 0 1p each with one vote per share ("ordinary shares") and non-voting management shares of £1 each ("management shares")

As at 31 May 2012 and the date of this report, there are 100,000 000 ordinary shares in issue none of which are held in treasury, and 50,000 management shares

The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares on an annual basis on 31 May in each year The Board may, at its absolute discretion, elect not to operate the annual redemption facility in whole or in part, although it has indicated that it is minded to approve all requests

Further details of the capital structure can be found in note 8 to the financial statements

Investment Objective
The Company's investment objective is to provide shareholders with an attractive level of dividends coupled with capital growth over the long term

Investment Policy
The Company will invest primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid-cap equities The Company may also invest in large cap companies, including FTSE 100 constituents, where it is believed that this may increase shareholder value

The Manager will adopt a stock specific approach in managing the Company's portfolio and therefore sector weightings will be of secondary consideration As a result of this approach, the Company's portfolio does not track any benchmark index

The Company may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described below The Company will not enter into uncovered short positions

Risk diversification
Portfolio risk is mitigated by investing in a diversified spread of investments Investments in any one company shall not, at the time of acquisition, exceed 15% of the value of the Company's investment portfolio Typically it is expected that the Company will hold a portfolio of between 80 and 120 securities, predominantly most of which will represent no more than 1 5% of the value of the Company's investment portfolio as at the time of acquisition

The Company will not invest more than 10% of its gross assets, at the time of acquisition, in other listed closed-ended investment funds, whether managed by the Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds In addition to this restriction, the Directors have further determined that no more than 15% of the Company's gross assets will at the time of acquisition, be invested in other listed closed-ended investment funds (including investment trusts) notwithstanding whether or not such funds have stated policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds

Unquoted investments
The Company may invest in unquoted companies from time to time subject to prior Board approval Investments in unquoted companies in aggregate will not exceed 5% of the value of the Company's investment portfolio as at the time of investment

Borrowing and gearing policy
The Board considers that long-term capital growth can be enhanced by the use of gearing which may be through bank borrowings and the use of derivative instruments such as contracts for differences The Company may borrow (through bank facilities and derivative instruments) up to 15% of net asset value ('NAV") (calculated at the time of borrowing)

The Board oversees the level of gearing in the Company, and reviews the position with the Manager on a regular basis

In the event of a breach of the investment policy set out above and the investment and gearing restrictions set out therein, the Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to the London Stock Exchange

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution

Company Summary

Objective and policy	Presented on page 1
Management company	Midas Capital Partners Limited See page 43 for further details
Total net assets	£47,826,000 as at 31 May 2012
Market capitalisation	£48,750,000 as at 31 May 2012
Capital structure	100,000,000 ordinary shares of 0 1p as at 31 May 2012
Management fee	One-twelfth of 1% per calendar month of the average market capitalisation of the shares in the relevant month See page 13 for further details
Ongoing charges (total expense ratio)	1 90% for the period to 31 May 2012
ISA status	The Company's shares are fully eligible for inclusion in ISAs
AIC	The Company is a member of the Association of Investment Companies ("the AIC")
Website	www mamfundsplc com/dit

Summary of Results

Financial Highlights	**At 31 May 2012**	**At 28 April 2011 (launch)**	**% change**
Total net assets	**£47 83m**	£48 75m	(1 89)
Number of ordinary shares in issue	**100m**	100m	–
Net asset value per ordinary share	**47 83p**	48 75p[2]	(1 89)
Ordinary share price (mid)	**48 75p**	50 00p	(2 50)
Premium to net asset value	**1 92%**	2 56%	–
Market capitalisation	**£48 75m**	£50 00m	(2 50)
Revenue return per ordinary share	**2 32p**	n/a	-
Total dividends per ordinary share[1]	**2 19p**	n/a	-
Total return per ordinary share	**0 43p**	n/a	-

Total Return Performance	**3 months to 31 May 2012 %**	**6 months to 31 May 2012 %**	**From launch to 31 May 2012 %**
Net asset value[2]	(2 83)	7 58	0 70
Ordinary share price	(0 58)	11 63	-

[1] Total dividends per ordinary share include the fourth interim dividend declared in respect of the period ended 31 May 2012 and will differ from the amounts disclosed in the Statement of Changes in Equity

[2] After launch expenses

Total return assumes that dividends are reinvested at the ex-dividend date

Directors and Advisers

Directors (all non-executive)

Michael Wrobel (Chairman) (aged 57)
Michael Wrobel is Group Advisor Pension Investments at Rio Tinto plc He is also a director of JPMorgan European Smaller Companies Trust plc Michael was formerly a director of Gartmore Investment Management plc and was Head of Investment Trusts at F&C Asset Management He was previously an investment manager at Fidelity and Morgan Grenfell Appointed as a Director on 30 March 2011

Paul Craig (aged 42)
Paul Craig is a Director of Multi-Manager at Henderson Global Investors Paul has over 20 years of investment experience including 10 years at Exeter Investment Group and 6 years at New Star Asset Management, where he was a Director of the asset management subsidiary During the past 18 years Paul s focus has been multi-manager products with an emphasis on closed-end funds He is a non-executive director of Golden Prospect Precious Metals Limited and an Associate of the UK Society for Investment Professionals Appointed as a Director on 30 March 2011

Lucinda Riches (aged 50)
Lucinda Riches was formerly an investment banker She began her career at Chase Manhattan Bank Lucinda worked at UBS and its predecessor firms for 21 years At UBS, she was a Managing Director, Global Head of Equity Capital Markets and a member of the Board of the Investment Bank Lucinda is currently a non-executive director of UK Financial Investments Limited, Graphite Enterprise Trust PLC, and The British Standards Institution She is also a non-executive member of the Partnership Board of SJ Berwin LLP and a trustee of Sue Ryder Appointed as a Director on 30 March 2011

Jane Tufnell (Senior Independent Director) (aged 48)
Jane Tufnell is a partner of Ruffer LLP, having been a founder member in 1994 Jane has 25 years of investment experience, joining County NatWest in 1987 where she ran the NatWest pension fund exposure to UK small companies Appointed as a Director on 30 March 2011

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London SE1 2AF

Solicitors
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1 Finsbury Circus
London EC2M 7SH

Stockbroker
Cenkos Securities plc
6 7 8 Tokenhouse Yard
London EC2R 7AS

Bankers and Custodians
HSBC Bank Plc
8 Canada Square
London E14 5HQ

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The Registry
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Beckenham
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(calls will cost 10p per minute plus network charges)
Fax 020 8639 2342
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An investment company as defined under Section 833 of the Companies Act 2006
Registered in England No 7584303
A member of the Association of Investment Companies

Chairman's Statement

It is a pleasure to deliver this first annual report to shareholders covering the trading period from launch on 28 April 2011 to 31 May 2012 The investment strategy of our Company is designed to address the investment challenges beyond the credit boom In particular, it is anticipated that attractive long-term investment returns can be generated in spite of turbulent markets, by investing in a portfolio of quoted companies with intrinsic value and that have the prospect of paying out good and growing dividend income

The UK stockmarket was indeed troubled in our first trading period, with most indices down by 10% or more UK Growth & Income Trusts did rather better given that their portfolios hold stocks with above average yields, but even so the average fund fell by 7 9% In comparison, the Company's net asset value ("NAV") fell by 1 9% in the period

The Company's income was mainly derived from the cashflow paid out by companies in the portfolio During the year, shareholders were paid three interim dividends, and in June 2012 the Board announced a fourth interim dividend, in lieu of a final, to make up the annualised 4% yield, as anticipated in the prospectus The Company was also able to put £129,000 into distributable reserves for the future

All shareholders can request to redeem their entire shareholding each year by submitting a form one month before the Company's year end These are subject to the approval of the Board, though the Board has stated that it is minded to approve all requests The Board believes that having this process in place has worked to the advantage of shareholders and has contributed, along with the relative performance and attraction of the Company's mandate to the share price trading at an average 2 3% premium to NAV since issue This year no redemption requests were received

At the time of writing the market outlook is overshadowed by concerns that one or more countries will feel compelled to suspend membership of the euro Whilst markets are anticipated to remain choppy, we believe the intrinsic strengths of many of the portfolio holdings will attract a wider range of investors over time, delivering premium returns to shareholders To this end, the Board announced on 27 June 2012 that the Company is planning an issue of C shares, anticipated to take place in mid July 2012, in order to broaden the investor base and improve market liquidity for shareholders

Michael Wrobel
Chairman

27 June 2012

Manager's Report

Markets
Although markets were initially stable after the launch of the Company at the end of April 2011, they fell back sharply in August and September on fears that euro imbalances could cause a Greek bond default Given that many European banks held large holdings of southern European sovereign bonds, they were thought to be at risk of insolvency This problem was addressed by the European Central Bank lending €1 trillion of bonds to those that were most vulnerable, and this paved the way for a strong market recovery towards the end of 2011 and into 2012 However, towards the end of our financial year euro worries resurfaced Higher production costs of Greece and other southern European countries may be unsolvable in the structure of a single currency area, and may ultimately force a euro break up The financial impact is unknowable although it would be moderated if the break up was managed over a wind-down period These uncertainties weighed heavily on markets towards the end of the financial year

Performance
Equity markets worldwide were affected by the European worries The capital return on the FTSE All-Share was minus 12 3% between 28 April 2011 and 31 May 2012, the period under review In the same period the smaller companies market fared slightly worse, with the FTSE SmallCap Index (excluding Investment Companies) dropping 12 1% and the AIM All-Share Index falling 25 0%

It is a perennial feature that the share prices of companies that sustain higher yields tend to be less volatile than the market overall Therefore, UK Growth & Income Investment Trusts fell rather less on average than the market in the period, down 7 4%

The net asset value of the Company has fallen 1 9% from issue, rather less than the comparatives The Company has also generated total dividends for shareholders amounting to 4 5% after costs Despite the choppy market conditions, it is reassuring to note that the volatility of the Company s NAV has been markedly better than most other funds in the sector

Dividend Income
In the prospectus, the Company had a stated aim of generating a dividend yield of 4% annualised in the first year Beyond this the Company aims to build a portfolio of investments on the basis that they would grow dividends faster than most other UK Equity Income Funds

Given our concerns about risks of a market setback, the initial capital was invested slowly in the first few months of the period, which did constrain income generation But from September onwards we were able to take advantage of the market falls, to invest the capital at more attractive entry prices, and better dividend yields With many companies paying their main dividends after the December or March year ends, the lion's share of dividend income for the Company was generated in the final months of the financial year

The Company has also used additional activities to boost income for shareholders Sub-underwriting secondary issues earns fees and short-term profits in the trading account after corporation tax can be paid out as dividends by the Company During the year these activities generated an additional £57,000 of revenues

The Company has declared four dividends since issue Our maiden interim dividend of 0 3p went ex-dividend on 28 September 2011, a second interim dividend of 0 5p was declared after the end of the half year, and went ex-dividend on 28 December 2011, with the third dividend of 0 46p going ex-dividend on 28 March 2012 The fourth dividend for the year, declared as an interim dividend so it could be paid to shareholders before the AGM, was 0 93p and is due to go ex-dividend on 27 June 2012 The overall yield for shareholders amounts to the 4% annualised as envisaged in the prospectus

Portfolio
The Company was established without a formal benchmark index so the Manager could select investments from the full range of quoted companies avoiding the consensus of mainly concentrating on the well-researched stocks with large benchmark weightings held by most other funds This strategy is anticipated to offer shareholders greater returns through including more under-researched stocks where the risk/reward ratio can be more attractive Given the larger investment universe the Manager has been able to prioritise stocks with strong balance sheets, often businesses with net cash balances During challenging trading conditions, those with the strongest balance sheets often have greater opportunities relative to those with weak balance sheets that tend to lose out

The portfolio is invested across a broad range of sectors, but there has been a particular focus on the providers of regular everyday products and services such as insurance, telecoms and food These are anticipated to be more resilient in the challenging economic conditions, and yet we believe still offer attractive prospects for dividend growth It also limits the financial risk and market volatility in the portfolio

The last major differential of the Company is that the portfolio is more widely diversified than most others The general aim has been to invest between 1 0% and 1 5% of the portfolio in each holding, thereby greatly diminishing the stock specific risk of each investment So whilst we hold some larger quoted companies such as Amlin and Vodafone, these stocks have no greater weightings than other lesser researched stocks such as Augean and Greencore Differential share price movements following investment do cause some holdings to grow and to exceed 2% but overall most are around the 1% level

These factors together will hopefully offer shareholders the prospect of a good and growing dividend yield, whilst the overall value of the assets should have less volatility than most other comparative funds The breakdown of the different size bands of the portfolio is shown in the pie chart on page 8 Just under 10% of the portfolio is invested in the FTSE 100 stocks, around 25% in the mid sized FTSE 250 stocks, and the remaining 65% or so in smaller companies quoted on the Main Market or AIM Market

The largest holdings as at 31 May 2012 are set out on page 7 of this report Typically the best performing holdings in the portfolio have been some of the smaller, nimbler stocks and many of these have appreciated to become the bigger holdings However we believe the overall portfolio remains relatively defensive and well diversified

Outlook
At the time of writing the outlook is heavily overshadowed by fears that the euro will break apart If this occurred, investors will need to be prepared for turbulent markets and a chance that the world moves back into recession The Company's investment strategy has been put together to maximise shareholders' returns through such a challenging period, through adopting a relatively straight-forward strategy of investing in companies with intrinsic value which should be able to pay good and growing dividend income The portfolio is largely made up of simple businesses that have the prospect of sustaining an increase in demand for their products even if the world economy was not expanding Indeed it is our belief that many other fund managers will grow to appreciate the investment advantages of bottom up stock picking, and that this trend may cause the smaller company universe to outperform for a number of years

Gervais Williams and Martin Turner
Midas Capital Partners Limited

27 June 2012

Portfolio Information
as at 31 May 2012

Portfolio of investments

Rank	Company	Sector	Valuation £'000	% of Net Assets	Yield* %
1	Zotefoams	Basic Materials	1,088	2 27	2 99
2	Greencore	Consumer Goods	1,028	2 15	4 37
3	CML Microsystems	Technology	961	2 01	2 50
4	Paypoint	Support Services	860	1 80	4 32
5	Quindell Portfolio	Technology	797	1 67	-
6	32Red	Consumer Services	790	1 65	3 04
7	Abbey Protection	Insurance & Insurance Services	775	1 62	5 68
8	ECO Animal Health	Health Care	744	1 56	1 35
9	Chamberlin	Industrials	743	1 55	3 80
10	Office2Office	Support Services	739	1 54	8 26
Top ten investments			**8,525**	**17 82**	
11	Stadium	Industrials	723	1 51	3 89
12	Secure Trust Bank	Banks	719	1 50	5 40
13	Charles Taylor Consulting	General Financial	715	1 50	6 90
14	Randall & Quilter Investment Holdings	Insurance & Insurance Services	658	1 38	7 60
15	KCOM	Telecommunications	651	1 36	5 93
16	Stobart	Industrials	649	1 36	5 24
17	Consort Medical	Health Care	637	1 33	3 27
18	KBC Advanced Technologies	Oil & Gas	631	1 32	3 17
19	Vodafone	Telecommunications	619	1 29	5 50
20	Fairpoint	General Financial	595	1 25	7 03
Top twenty investments			**15,122**	**31 62**	
21	Hansard Global	Insurance & Insurance Services	582	1 22	10 69
22	RPC	Industrials	582	1 22	3 18
23	4imprint	Consumer Services	580	1 21	5 31
24	BT	Telecommunications	580	1 21	4 02
25	Beazley	Insurance & Insurance Services	566	1 18	5 85
26	Cape	Oil & Gas	565	1 18	5 80
27	Smith DS	Industrials	560	1 17	5 10
28	Hilton Foods	Consumer Goods	558	1 17	4 15
29	Interserve	Support Services	549	1 15	6 37
30	Drax	Utilities	547	1 14	5 08
Top thirty investments			**20,791**	**43 47**	
31	Cineworld	Consumer Services	546	1 14	5 08
32	Catlin	Insurance & Insurance Services	541	1 13	6 98
33	Wilmington	Consumer Services	536	1 12	7 57
34	St Ives	Industrials	535	1 12	7 39
35	Berendsen	Support Services	531	1 11	4 94
36	Amlin	Insurance & Insurance Services	528	1 10	7 23
37	Powerflute	Basic Materials	528	1 10	4 28
38	Greggs	Consumer Services	526	1 10	3 84
39	Churchill China	Consumer Goods	525	1 10	4 38
40	Silverdell	Industrials	513	1 08	-
Top forty investments			**26,100**	**54 57**	
Balance held in 65 holdings			**20,388**	**42 63**	
Total equity investments			**46,488**	**97 20**	
Cash and other net assets			**1,339**	**2 80**	
Net assets			**47,827**	**100 00**	

* Yield is based on the Manager s estimated annual income

Unless otherwise stated all investments are in the ordinary shares of the investee company

A copy of the full portfolio of investments as at 31 May 2012 is available on the Company's website, www mamfundsplc com/dit

Portfolio Information – continued
as at 31 May 2012

Portfolio exposure by sector

- Consumer Services 14 8%
- Insurance & Insurance Services 13 6%
- Consumer Goods 12 0%
- Industrials 10 9%
- Support Services 10 9%
- General Financial 9 5%
- Technology 7 8%
- Telecommunications 5 9%
- Basic Materials 4 7%
- Health Care 3 5%
- Cash and other net assets 2 8%
- Oil & Gas 2 5%
- Utilities 1 1%

Portfolio by asset allocation

- AIM/PLUS 32 0%
- FTSE SmallCap 26 4%
- FTSE 250 24 6%
- FTSE 100 7 0%
- FTSE Fledgling 6 6%
- Cash and other net assets 2 8%
- Other 0 6%

Portfolio by spread of investment income

- FTSE 250 39 1%
- FTSE SmallCap 21 6%
- FTSE 100 17 2%
- AIM/PLUS 16 9%
- International 3 0%
- FTSE Fledgling 2 2%

Estimated annual income by sector[1]

- Insurance & Insurance Services 18 3%
- Consumer Services 16 6%
- General Financial 13 3%
- Support Services 11 2%
- Consumer Goods 10 2%
- Industrials 9 3%
- Telecommunications 7 3%
- Technology 4 6%
- Basic Materials 3 7%
- Oil & Gas 2 3%
- Health Care 2 0%
- Utilities 1 2%

[1] Projected income based on portfolio as at 31 May 2012

Source Midas Capital Partners Limited

Report of the Directors

The Directors present their report and financial statements for the period from incorporation on 30 March 2011 to 31 May 2012 The Company commenced trading on 28 April 2011

Business Review

Principal Activity and Status

The principal activity of the Company is to carry on business as an investment trust The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Sections 1158/1159 of the Corporation Tax Act 2010

The principal conditions that must be met for approval by HM Revenue & Customs ("HMRC") for any given accounting period as an investment trust are that the Company's income is derived "wholly or mainly" from shares or securities, no holding in another company or group of companies should represent more than 15% by value of the Company's investments, and the Company must not retain more than 15% of its income derived from shares and securities The Directors are of the opinion that the Company has conducted its affairs for the period ended 31 May 2012 so as to be able to obtain the necessary approvals as an investment trust for that period

New regulations for obtaining and retaining investment trust status have been published by HMRC and will be effective for the Company from 1 June 2012 An application for approval as an investment trust must be made within 90 days after the end of the first accounting period of the Company following implementation of the new regime If the application is accepted, the Company will be treated as an investment trust company for that period and for each subsequent accounting period, subject to there being no subsequent serious breaches of the regulations The other significant changes are to remove the maximum holding in any one investment of 15% and replace this with a risk diversification approach, and to require an investment trust to distribute a minimum of 85% of all its income as dividend payments The former is a restriction in the Company's stated investment policy and there are no current plans to amend this

The Company is an investment company in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006 The Directors do not envisage any change in this activity in the future

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments and all other net capital gains Investment trusts offer a number of advantages for investors, including access to investment opportunities that might not be open to private investors and to professional stock selection skills at low cost

The Company has a wholly owned subsidiary, DIT Income Services Limited The purpose of the subsidiary is to invest in shorter term holdings, where the gains after corporation tax can be passed up to the parent company by way of dividends, thus improving the position of the Company's revenue account

Investment Policy

The Company's investment policy is set out on page 1 and contains information on the policies which the Company follows relating to asset allocation, risk diversification and gearing, and includes maximum exposures, where relevant

The Company invests primarily in quoted or traded UK companies with a wide range of market capitalisations but a long-term bias toward small and mid-cap equities with a view to achieving the Company's investment objective

The Manager will adopt a stock specific approach in managing the Company's portfolio and therefore sector weightings will be of secondary consideration As a result of this approach, the Company's portfolio will not track any benchmark index

Details of the largest investments are shown on page 7

Performance

The Chairman's Statement on page 4 and the Manager's Report on pages 5 and 6 give details of the Company's activities, performance and position during the first period of trading

The Board reviews the Company's performance by reference to a number of Key Performance Indicators ("KPI's") and considers that the most relevant KPIs are those that communicate the financial performance and strength of the Company as a whole The Board and the Manager monitor the following KPIs

- NAV performance, relative to comparable investment trusts and open-ended funds and to various UK stockmarket indices

The Company's NAV increased by 0 7% on a total return basis over the period This compares favourably with its peer group, where the average was a 3 3% fall By comparison, the total return on the FTSE All-Share was −8 7%, on the FTSE SmallCap Index (excluding Investment Companies) was −9 5%, and on the AIM All-Share Index was −24 4%

- NAV volatility

The Company has an objective to deliver attractive returns whilst having an eye to constraining volatility relative to other similar investment trusts For the period from 28 April 2011 (the date the shares commenced trading) to 31 May 2012, the Company's NAV had a volatility of 8 8%, the lowest in its peer group

- Movements in the Company's share price

The Company's share price fell by 2 5% over the period This compares favourably with its peer group, where the average fall was 7 4% By comparison, the total return on the FTSE All-Share was −8 7%, on the FTSE SmallCap Index (excluding Investment Companies) was −9 5%, and on the AIM All-Share Index was −24 4%

- The discount of the share price in relation to the NAV

The Company has an objective to keep the discount to NAV at a minimum Over the period to 31 May 2012 the Company has maintained an average premium to NAV of 2 3% This compares favourably with its peer group, where the average discount was 0 3% over the period

- The Company's dividend growth rate

The Company has achieved its target 4% annualised dividend yield for the period ended 31 May 2012, as set out in the prospectus

- Ongoing charges (total expense ratio)

The ongoing charges for the period to 31 May 2012 amounted to 1 9% of total assets

Net Asset Value
The NAV at 31 May 2012 was 47 83p per share

Dividends
Dividends totalling 2 19p per ordinary share have been paid or declared in respect of the period ended 31 May 2012 as follows

First interim dividend	0 30p paid on 30 November 2011
Second interim dividend	0 50p paid on 29 February 2012
Third interim dividend	0 46p paid on 31 May 2012
Fourth interim dividend	0 93p payable on 31 August 2012

As set out in the launch prospectus, in respect of the period to 31 May 2012 the Company targeted an annualised dividend yield of 4%, which has been achieved

Shareholders will have the option to vote on the dividend payment policy of the Company at the forthcoming Annual General Meeting (see page 15 for further details)

Share Issues
The Company was incorporated with 50,000 management shares of £1 each These shares are non-redeemable and non-voting and are held by MAM Funds plc, the parent company of the Manager (see note 8 to the financial statements for details)

100,000,000 redeemable ordinary shares of 0 1p, with a nominal value of £100,000, were allotted on 21 April 2011 at a price of 50p per share under the Placing and Offer for Subscription by the Company The shares commenced trading on the Main Market of the London Stock Exchange on 28 April 2011

The Directors have the authority to allot ordinary shares up to an aggregate nominal amount of £10,000 They are also authorised to allot up to 100,000 000 C shares Both of these authorities are due to expire at the Company's Annual General Meeting to be held on 17 October 2012 At the date of this report, no shares have been issued under these authorities

There are no restrictions concerning the transfer of securities in the Company or on voting rights, 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 agreements which the Company is party to that might affect its control following a successful takeover bid

Purchase of Own Shares
At a General Meeting of the Company held on 6 April 2011, the Directors were granted the authority to buy back up to 14,990,000 ordinary shares, being 14 99% of the Company's ordinary share capital No ordinary shares have been bought back under this authority The authority will expire at the next Annual General Meeting when a resolution for its renewal will be proposed (see page 15 for further information)

Treasury Shares
Shares bought back by the Company may be held in treasury, from where they could be re-issued quickly and cost effectively This provides the Company with additional flexibility in the management of its capital base No shares were purchased for, or held in, treasury during the period

Principal Risks
The Company is exposed to a variety of risks The principal financial risks and the Company's policies for managing these risks and the policy and practice with regard to financial instruments are summarised in note 17 to the financial statements The Board has also identified the following additional risks and uncertainties

Investment and strategy
There can be no guarantee that the investment objective of the Company will be achieved The Company is an investment trust which invests mainly in UK equities However, the Company has a very wide investment policy and may also invest in cash and bonds, unquoted investments, derivative instruments and other investments and securities, as appropriate

The Company does not follow any benchmark Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Company's shares failing to follow either the direction or extent of any moves in the financial markets generally (which may or may not be to the advantage of shareholders)

The Manager has in place a dedicated investment management process which is designed to ensure the investment objectives are achieved The Board reviews regular investment and financial reports from the Manager

Smaller companies
The Company will invest primarily in quoted UK companies with a wide range of market capitalisations but a long-term bias toward small and mid-cap equities Smaller companies can be expected, in comparison to larger companies, to be less mature businesses, have more restricted depth of management and a higher risk profile In addition, the relatively small market capitalisation of such companies can make the market in their shares illiquid Prices of smaller capitalisation stocks are often more volatile than prices of larger capitalisation stocks and the risk of insolvency of many smaller companies (with the attendant losses to investors) is higher

The Company looks to mitigate this risk by holding a spread of investments, achieved through limiting the size of new holdings at the time of investment, to a maximum of 1 5% of the portfolio All potential investee companies are researched by the Manager prior to investment

Sectoral diversification
The Company is not constrained from weighting to any sector This may lead to the Company having significant exposure to portfolio companies from certain business sectors from time to time Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV

The Company seeks to achieve returns by investing across the full spectrum of companies meeting its criteria, covering all sectors

Unquoted companies
The Company may invest in unquoted companies from time to time Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise

This risk is mitigated by the requirement for the Board to prior approve any investment into unquoted companies and by limiting the size of all unquoted investments to less than 5% of the portfolio

Use of derivative instruments
The Company may utilise derivative instruments including index-linked notes, contracts for differences covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes The Company will not enter into derivative contracts for speculative purposes

Dividends
The Company's investment objective includes the aim of providing shareholders with a dividend income There is no guarantee that any dividends will be paid in respect of any financial year or period The ability to pay dividends is dependent on a number of factors including the level of dividends earned from the portfolio and the net revenue profits available for that purpose

The redemption of shares pursuant to the redemption facility may also reduce distributable reserves to the extent that the Company is unable to pay dividends

The Company maintains accounting records and produces forecasts that are designed to reduce the likelihood that the Company will not have sufficient distributable resources to meet its dividend objective

Share price volatility and liquidity/marketability risk
The market price of the Company's shares, like shares in all investment companies, may fluctuate independently of the NAV and thus may not reflect the underlying NAV of the shares The shares could trade at a discount or premium to NAV at different times, depending on factors such as supply and demand for the shares, market conditions and general investor sentiment

Gearing
The Company's investment strategy may involve the use of gearing to enhance investment returns, which exposes the Company to risks associated with borrowings Gearing may be generated through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument

While the use of borrowings should enhance the total return on the shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the shares As a result, the use of borrowings by the Company may increase the volatility of the NAV per share

The Company has an overdraft facility in place, but this was unused at 31 May 2012

The Company is limited to a maximum gearing of 15% of the net assets

Key man risk
The Company depends on the diligence, skill, judgement and business contacts of the Manager's investment professionals and its future success could depend on the continued service of these individuals, in particular Gervais Williams

C shares
The Directors have been authorised to issue up to 100,000 000 C shares without the application of pre-emption rights If the Directors decide to issue C shares on a non-pre-emptive basis the proportions of the voting rights held by ordinary shareholders will be diluted on the issue of such C shares as each C share carries the right to one vote The voting rights may be diluted further on conversion of the C shares depending on the applicable conversion ratio

Redemption facility
The operation of the annual redemption facility may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value Further, redemptions may also adversely affect the secondary market liquidity of the ordinary shares

The Board would seek to mitigate the risk of substantial redemptions being requested by maintaining a regular flow of communication with shareholders and the achievement of the investment objectives of the Company

Taxation
The affairs of the Company are conducted so as to satisfy the conditions of approval as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010

Any change in the Company's tax status or in taxation legislation or practice generally could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders, lead the Company to lose its exemption from tax on chargeable gains or alter the post-tax returns to shareholders

The Board seeks to use the services of appropriately qualified professional organisations to ensure adherence by the Company to the taxation requirements of an investment trust to mitigate this risk

Compliance with laws or regulations
The Company is subject to compliance with the Companies Act 2006 and the continuing obligations imposed by the UK Listing Authority on investment companies whose shares are listed on the Official List A breach of any of these could lead to suspension of the listing of the Company's shares on the London Stock Exchange and/or financial penalties, with the resulting reputational implications

The Board utilises appropriately qualified service providers to carry out the day-to-day activities of the Company The Manager also has an independent compliance department that carries out regular monitoring of the activities of the Manager and provides regular reports to the Board

The Alternative Investment Fund Managers' Directive is due to be implemented by member states, including the UK, by 22 July 2013, and it seems likely that there will be an increase, potentially a material increase, in the Company's governance, administration and custodian expenses as a result of its implementation

Engagement of third party advisers
The Company has no employees and the Directors have all been appointed on a non-executive basis Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function

The Board makes appropriate enquiries before engaging third parties which are all expected to operate in accordance with written contracts and service level agreements, if appropriate

Social, Environmental, Community and Employee Issues
The Company does not have any employees and the Board consists entirely of non-executive Directors As an investment trust, the Company has no direct impact on the community or the environment, and as such has no policies in this area In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly

Current and Future Developments
On 27 June 2012 the Company published a prospectus for a placing and offer for subscription of up to 100,000 000 C shares, anticipated to take place in mid July 2012

Please refer to the Chairman's Statement on page 4 and the Manager's Report on pages 5 and 6 for further information on the likely future development of the Company

Management Agreement
The Company's investments are managed by Midas Capital Partners Limited under an agreement dated 7 April 2011 ("the Management Agreement') The management fee is calculated at the rate of one-twelfth of 1% per calendar month of the average market capitalisation of the Company's shares for the relevant month and is payable monthly in arrears In addition to the basic management fee, and for so long as a Redemption Pool (see page 42 for details) is in existence, the Manager shall be entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1% per calendar month of the net asset value of the Redemption Pool on the last business day of the relevant calendar month

In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial year 75% of the management fee payable is charged to capital and the remaining 25% to revenue

The Management Agreement is terminable by either the Manager or the Company giving to the other not less than 12 months' written notice, such notice not to expire earlier than 28 April 2013 The Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including the liquidation of the Manager or appointment of a receiver or administrative receiver over the whole or any substantial part of the assets or undertaking of the Manager or a material breach by the Manager of the Management Agreement which is not remedied The Company may also terminate the Management Agreement should Gervais Williams cease to be an employee of the Manager's group and is not replaced by a person whom the Company considers to be of equal or satisfactory standing within three months of his departure

The Company has given certain market standard indemnities in favour of the Manager in respect of the Manager's potential losses in carrying on its responsibilities under the Management Agreement

Continuing Appointment of the Manager
The Board keeps the performance of the Manager under continual review, and the Management Engagement Committee conducts an annual appraisal of the Manager s performance, and makes a recommendation to the Board about the continuing appointment of the Manager It is the opinion of the Directors that the continuing appointment of Midas Capital Partners Limited is in the interests of shareholders as a whole The reasons for this view are that the Manager has executed the investment strategy according to the Board s expectations and has demonstrated superior risk-adjusted returns relative to the broader market and the peer group

The Directors believe that by paying the investment management fee calculated on a market capitalisation basis, rather than a percentage of assets basis the interests of the Manager are more closely aligned with those of shareholders

Going Concern
The Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future In arriving at this conclusion the Directors have considered the liquidity of the portfolio and the Company's ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved

Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of the dividend policy

Directors
The Directors in office on incorporation of the Company on 30 March 2011 and up to the date of this report are shown on page 3

All the Directors will stand for election at the forthcoming Annual General Meeting, this being the Company's first Annual General Meeting The Board considers that, following recent performance evaluations, all of the current Directors contribute effectively and have the skills and experience relevant to the future leadership and direction of the Company The Board therefore believes that it is in the best interests of shareholders that each of the Directors is elected

Directors' Interests
The beneficial interests of the Directors in the ordinary shares of the Company are set out below

	At 31 May 2012	At 30 March 2011
Michael Wrobel	**51,000**	-
Paul Craig	**30,000**	-
Lucinda Riches	**30,000**	-
Jane Tufnell	**100,000**	-

Paul Craig is an employee of Henderson Global Investors Limited ("HGI") HGI holds ordinary shares in the Company on behalf of clients to which HGI acts as discretionary investment manager

There have been no changes to any of the above holdings between 31 May 2012 and the date of this report

Corporate Governance
The Corporate Governance Statement on pages 16 to 20 forms part of the Report of the Directors

Substantial Shareholdings
The Directors have been informed of the following notifiable interests in the Company's voting rights as at 31 May 2012

	Number of Ordinary shares	% of voting rights
Investec Wealth & Investment Limited	15,028,836	15 03
MAM Funds plc held as follows	14,900,000	14 90
CF Miton Global Growth Portfolio	*4,000,000*	*4 00*
CF Midas Balanced Income Fund	*6,000,000*	*6 00*
CF Miton Special Situations Portfolio	*4,900,000*	*4 90*
Henderson Global Investors Limited	10,000,000	10 00
The Cayenne Trust plc	3,000,000	3 00

No changes to the above holdings have been notified between 31 May 2012 and the date of this report

Payment of Suppliers
It is the Company's policy to obtain the best possible terms for all business and, therefore, there is no consistent policy as to the terms used The Company agrees with its suppliers the terms on which business will be transacted and it is the Company's policy to abide by those terms At 31 May 2012 there were no trade creditors

Audit Information
The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company s Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

Auditor
Ernst & Young LLP has expressed its willingness to continue in office as Auditor of the Company and resolutions for their re-appointment and for the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting

Annual General Meeting
The Notice of the Annual General Meeting to be held on 17 October 2012 ("the Notice") is set out on pages 45 to 49 Shareholders are being asked to vote on various items of business, being the receipt and adoption of the Reports of the Directors and Auditor and the financial statements for the period ended 31 May 2012, the receipt and approval of the Directors Remuneration Report, the election of Directors, the re-appointment of Ernst & Young LLP as Auditor, the authorisation of the Directors to determine the remuneration of the Auditor, the approval of the Company's dividend payment policy, the granting of authorities in relation to the allotment of shares, the disapplication of pre-emption rights for certain issues of shares, the purchase by the Company of its own shares, and the holding of general meetings on not less than 14 clear day's notice Resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions

Dividend payment policy
As set out in the launch prospectus, the Company's policy is to pay dividends on a quarterly basis, with dividends declared in September December, March and June and paid in November, February May and August each year As the fourth dividend is payable prior to the Annual General Meeting, which is scheduled to be held in October each year, it is declared as an interim dividend and there is accordingly no final dividend payable

The Board is conscious that this means that shareholders will not be given the opportunity to vote on the payment of a final dividend Accordingly, it has been decided that shareholders will be asked to confirm their ongoing approval of the current dividend payment policy, and this is set out in Resolution 9 in the Notice

Authority to issue shares and disapplication of pre-emption rights
An ordinary resolution to authorise the Directors to allot shares up to an aggregate nominal amount of £10,000, equal to 10% of the Company's issued share capital (excluding treasury shares), will be proposed as Resolution 10 As at the date of the Notice, the Company holds no shares in treasury

Resolution 11 is being proposed to authorise the Directors to disapply the pre-emption rights of existing shareholders in relation to issues of shares under Resolution 10 (being in respect of up to 10% of the Company's issued share capital as at the date of the Notice)

These authorities, if approved by shareholders, will expire at the Annual General Meeting to be held in 2013 when resolutions for their renewal will be proposed The Directors will only issue new shares if they believe it would be in the best interests of the Company's shareholders

Purchase of own shares
Resolution 12, a special resolution, will renew the Company's authority to make market purchases of up to 14 99% of the Company's ordinary shares, either for cancellation or placing into treasury at the determination of the Directors Purchases of ordinary shares will be made within guidelines established from time to time by the Board Any purchase of ordinary shares would be made only out of the available cash resources of the Company The maximum price which may be paid for an ordinary share must not be more than the higher of (i) 5% above the average of the mid-market values of the ordinary shares for the five business days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the ordinary shares The minimum price which may be paid is 0 1p per ordinary share

The Directors would use this authority to address any significant imbalance between the supply and demand for the Company's ordinary shares and to manage the discount to net asset value at which the ordinary shares trade Ordinary shares will be repurchased only at prices below the net asset value per ordinary share, which should have the effect of increasing the net asset value per ordinary share for remaining shareholders This authority will expire at the Annual General Meeting to be held in 2013 when a resolution to renew the authority will be proposed

Notice period for general meetings
Resolution 13 is a special resolution that will give the Directors the ability to convene general meetings, other than annual general meetings, on a minimum of 14 clear days' notice The minimum notice period for annual general meetings will remain at 21 clear days The approval will be effective until the Company's Annual General Meeting to be held in 2013 at which it is intended that renewal will be sought The Company will have to offer facilities for all shareholders to vote by electronic means for any general meeting convened on 14 days' notice The Directors will only call a general meeting on 14 days' notice where they consider it to be in the interests of shareholders to do so and the relevant matter is required to be dealt with expediently

Recommendation
Full details of the above resolutions are contained in the Notice

The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings

By order of the Board
Capita Sinclair Henderson Limited
Secretary

27 June 2012

FOR AND ON BEHALF OF
CAPITA SINCLAIR HENDERSON LTD.
SECRETARY

Corporate Governance Statement

This Corporate Governance Statement forms part of the Report of the Directors

The Company is committed to maintaining high standards of corporate governance and the Board is accountable to shareholders for the governance of the Company's affairs

Statement of Compliance
The Board of The Diverse Income Trust plc has considered the principles and recommendations of the AIC Code of Corporate Governance for Investment Companies ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") The AIC Code, as explained by the AIC Guide, addresses all the principles set out in of the UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to shareholders

The Financial Reporting Council (the FRC") the UK's independent regulator for corporate reporting and governance responsible for the UK Code, has endorsed the AIC Code and the AIC Guide The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules

A copy of the AIC Code and the AIC Guide can be obtained via the AIC website, www theaic co uk A copy of the UK Code can be obtained at www frc org uk

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the UK Code, except as set out below

The UK Code includes provisions relating to

- the role of the chief executive,
- executive directors' remuneration, and
- the need for an internal audit function

For the reasons set out in the AIC Guide and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company The Company has therefore not reported further in respect of these provisions

The Board of Directors
The Board consists entirely of non-executive Directors and has no employees The Board is responsible for all matters of direction and control of the Company and the Group, including its investment policy and strategy, and no one individual has unfettered powers of decision The Directors possess a wide range of business and financial expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs Brief biographical details of the Directors, including details of their significant commitments, can be found on page 3

None of the Directors has a service contract, but letters of appointment setting out the terms of their appointment are in place Directors are not entitled to any compensation for loss of office Copies of the letters of appointment are available on request from the Secretary and will be available at the Annual General Meeting

A procedure for the induction of new Directors has been established including the provision of an induction pack containing relevant information about the Company, its processes and procedures New appointees will also have the opportunity of meeting with the Chairman and relevant persons at the Manager

Chairman and Senior Independent Director
The Chairman, Michael Wrobel, is deemed by his fellow independent Board members to be independent and to have no conflicting relationships Mr Wrobel is Group Adviser Pension Investments at Rio Tinto plc and is a non-executive director of JPMorgan European Smaller Companies Trust plc He considers himself to have sufficient time to commit to the Company's affairs

Jane Tufnell has been appointed by the Board as the Senior Independent Director of the Company She will provide a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors

Board Operation
The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary During the period to 31 May 2012 the number of Board meetings and Audit Committee meetings attended by each Director were as follows

	Board meetings	Audit Committee meetings
Michael Wrobel	5	2
Paul Craig	5	2
Lucinda Riches	5	2
Jane Tufnell	5	2

A number of additional meetings were held in connection with the launch of the Company

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may take independent professional advice at the Company's expense The Company has arranged a Directors' and Officers' Liability insurance policy which includes cover for legal expenses

The Company has provided each of the Directors of the Company, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with the discharge of their duties as a Director The indemnity also covers reasonable legal and other defence expenses, although these would have to be repaid in the event of a conviction Deeds of Indemnity in favour of each of the Directors were executed on behalf of the Company on their appointment There are no other qualifying third party indemnity provisions in place

Board evaluation
The Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness The Board has therefore opted to undertake an internal performance evaluation by way of questionnaires specifically designed to assess the strengths and independence of the Board and the Chairman, individual Directors and the performance of its Committees The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions Any training needs identified as part of the Board evaluation process are added to the next Board meeting agenda

The evaluation process was carried out following the year end and was conducted by the Chairman Jane Tufnell, as the Senior Independent Director, led the appraisal of the Chairman

Independence of Directors
In accordance with the AIC Code the Board has reviewed the independent status of each individual Director and the Board as a whole In the Board's opinion all Directors are considered to be independent of the Manager in both character and judgement

Paul Craig is an employee of Henderson Global Investors Limited, a substantial shareholder of the Company The Directors have considered Mr Craig's independence They have noted that there could be certain circumstances that might pose a conflict of interest to Mr Craig, but these would be disclosed and, in accordance with agreed procedures, Mr Craig would not vote on these issues Having considered these points and taking into account Mr Craig's conduct in Board meetings, the Board confirmed that it considered him to be independent As with all Directors, this will be regularly reviewed and considered as part of the performance evaluation process

Re-election of Directors
Under the Company's Articles of Association and in accordance with the AIC Code Directors are required to retire at the first Annual General Meeting following their appointment Thereafter, at each Annual General Meeting any Director who has not stood for appointment or re-election at either of the two preceding Annual General Meetings shall be required to retire from office, and may offer him/herself for re-election

Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's Annual General Meetings This is in line with the recommendations of the UK Code for FTSE 350 companies, albeit the Company does not currently fall in this category The maximum length of service for any Director will be nine years following first election

Board Responsibilities and Relationship with the Investment Manager
The Board is responsible for the determination and implementation of the Company's investment policy and strategy and has overall responsibility for the Company's activities, including the review of investment activity and performance, control and supervision of the Manager The Board's main roles are to create value for shareholders, to provide leadership to the Company and to approve the Company's strategic objectives The Board has adopted a schedule of matters reserved for decision by the Board and specific responsibilities include reviewing the Company's investments, asset allocation, gearing policy, cash management, peer group performance, investment outlook and revenue forecasts and outlook

The Company's day-to-day functions have been subcontracted to a number of service providers, each engaged under separate legal agreements The management of the Company's assets has been delegated to Midas Capital Partners Limited, which has discretion to manage the assets in accordance with the Company's investment objective and policy

At each Board meeting the Directors follow a formal agenda, which is circulated in advance by the Company Secretary The Company Secretary and Manager regularly provide financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice

At each Board meeting a representative from the Manager is in attendance to present verbal and written reports covering its activity portfolio and investment performance over the preceding period Ongoing communication with the Board is maintained between formal meetings The Board and the Manager operate in a fully supportive, co-operative and open environment

Conflicts of Interest
The 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 There is in place a formal system for the Board to consider authorising such conflicts whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations

Board Committees
The Company has two Committees in operation, the Audit Committee and the Management Engagement Committee Given the size of the Board it is not felt appropriate for the Company to have a separate Nomination Committee or Remuneration Committee The functions that would normally be carried out by these Committees are dealt with by the full Board

The terms of reference of the Committees are available on the Company's website at www mamfundsplc com/dit

Audit Committee
The Audit Committee comprises all the Directors of the Company and is chaired by Jane Tufnell Mr Wrobel, the Company's Chairman, is a member of the Audit Committee Given the small size of the Board, it was deemed both proportionate and practical for all Directors to be on the Committee The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfill the responsibilities of the Audit Committee

The primary responsibilities of the Audit Committee are to monitor the integrity of the financial statements of the Company and the Group, the financial reporting process and the accounting policies of the Company, to keep under review the effectiveness of the Company's and the Group's internal control environment and risk management systems, to make recommendations to the Board in relation to the re-appointment or removal of the external auditor and to approve their remuneration and terms of engagement, to review and monitor the auditor's independence and objectivity and to review the effectiveness of the audit process The Audit Committee has direct access to the Company's Auditor, and provides a forum through which the Auditor reports to the Board Representatives of the Auditor will attend meetings of the Audit Committee at least annually

In relation to non-audit services the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that auditor independence and objectivity are safeguarded Non-audit fees of £27,000 (inclusive of VAT) were paid to Ernst & Young LLP in the period in relation to reporting accountant services on the launch of the Company

The Audit Committee has acknowledged that Ernst & Young LLP is also auditor to the Manager and has satisfied itself that Ernst & Young remains independent and objective This has been achieved by assigning different audit partners and audit teams to the Company and the Manager respectively The Audit Committee has been reassured that no conflicts have arisen during the year and will continue to monitor the position

Following consideration of the performance of the Auditor, the service provided during the year and a review of their independence and objectivity, the Audit Committee has recommended to the Board the re-appointment of Ernst & Young LLP as Auditor to the Company

Management Engagement Committee
The Management Engagement Committee comprises all the Directors and is chaired by Lucinda Riches The Committee meets at least once a year to review the performance of the Manager's obligations under the Management Agreement and to consider any variation to the terms of the agreement, and reports its findings to the Board The Committee did not meet during the period under review, but met subsequently to the period end to consider the performance of the Manager and other service providers over the preceding financial period All members were present at this meeting

In reaching its recommendation to the Board about the continuing appointment of the Manager, the Committee's deliberations included consideration of the fee basis for other companies in the peer group, the performance of the Company against its peer group and the share volatility against that of other companies in the peer group

The Management Engagement Committee also reviews annually the performance of the Company Secretary, the Custodian and the Registrar and any matters concerning their respective agreements with the Company

Stewardship Responsibilities and the use of Voting Rights
As an externally managed investment company, the Board delegates the majority of its responsibilities in relation to engagement with investee companies to the Company's Manager However, the Board retains oversight of this process by receiving regular updates from the Manager on its engagement activities and by reviewing the Manager's stewardship and voting policies The Board has agreed a policy with the Manager regarding voting and corporate governance issues in respect of holdings in the Company's portfolio This agreement takes into account the UK Stewardship Code The Manager has published a statement of compliance with the UK Stewardship Code, which is available on its website at www mamfundsplc com

Company Secretary
The Board has direct access to the advice and services of the Company Secretary Capita Sinclair Henderson Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with The Company Secretary is also responsible to the Board for ensuring timely delivery of the information and reports and that the statutory obligations of the Company are met

Internal Control Review
The Directors are responsible for the systems of internal control relating to the Company and its subsidiary and the reliability of the financial reporting process and for reviewing their effectiveness

Since the admission of the Company's shares to listing and trading on the Stock Exchange, the Directors have reviewed and considered the guidance supplied by the FRC on internal controls and an ongoing process has been established for identifying, evaluating and managing the risks faced by the Company This process together with key procedures established with a view to providing effective financial control, was in place at the date of the signing of this report The internal control systems are designed to ensure that proper accounting records are maintained that the financial information on which business decisions are made and which are issued for publication is reliable and that the assets of the Company are safeguarded The risk management process and Group systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss

The Directors have carried out a review of the effectiveness of the systems of internal control as they have operated over the period and up to the date of approval of the report and financial statements

Internal Control Assessment Process
Regular risk assessments and reviews of internal controls are undertaken in the context of the Company's overall investment objective The Board, through the Audit Committee, has identified risk management controls in four key areas corporate strategy, published information and compliance with laws and regulations, relationships with service providers and investment and business activities In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective,
- the threat of such risks becoming reality
- the Company s ability to reduce the incidence and impact of risk on its performance, and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls

A risk matrix has been produced against which the risks identified and the controls in place to mitigate those risks can be monitored The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them This risk register is reviewed at each meeting of the Audit Committee and at other times as necessary

The Board reviews financial information produced by the Manager and the Secretary on a regular basis

Most functions for the day-to-day management of the Company are sub-contracted and the Directors therefore obtain regular assurances and information from key third party suppliers regarding the internal systems and controls operated in their organisations In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, which is reviewed by the Audit Committee

Shareholder Relations

Communication with shareholders is given a high priority by both the Board and the Manager and the Directors are available to enter into dialogue with shareholders The Manager and the Company's Broker Cenkos Securities plc, are in regular contact with the major institutional investors and report the results of all meetings and the views of those shareholders to the Board on a regular basis

All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Manager will be available to discuss issues affecting the Company and answer any questions Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the Annual General Meeting should contact the Company Secretary at the address on page 3 The Company always responds to letters from individual shareholders

The Annual and Half-Yearly Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company s performance Copies are released to the London Stock Exchange, dispatched to shareholders by mail and are also available from the Company Secretary or by downloading from the Company's website, www mamfundsplc com/dit

Interim Management Statements are also released to the London Stock Exchange and posted on the Company's website

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Schedule 8 of the Large and Medium-Sized Companies and Groups (Financial statements and Reports) Regulations 2008 An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting

The law requires the Company's Auditor to audit certain of the disclosures provided Where disclosures have been audited, they are indicated as such The Auditor's opinion is included in the Independent Auditor's Report on page 24

Remuneration Committee
Given the size of the Board it is not considered appropriate for the Company to have a separate Remuneration Committee and the functions of this Committee are carried out by the Board as a whole

Policy on Directors' Fees
The Board's policy is that remuneration of non-executive Directors should reflect the experience of the Board as a whole and is determined by reference to comparable organisations and appointments

The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs It is intended that this policy will continue for the year ending 31 May 2013 and subsequent years

The fees for the non-executive Directors are determined within the limits (not to exceed £500,000 per year in aggregate) set out in the Company s Articles of Association, and they are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits as the Board does not believe that this is appropriate for non-executive Directors There are no pension arrangements in place for the Directors of the Company

Directors' fees for the period ended 31 May 2012 were at a level of £30,000 per annum for the Chairman and £25 000 per annum for the other Directors

Directors' Service Contracts
It is the Board's policy that Directors do not have service contracts, but Directors are provided with a letter of appointment as a non-executive Director

The terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment Thereafter they will be subject to annual re-election Compensation will not be made upon early termination of appointment

Company Performance
The Company does not have a specific benchmark against which performance is measured The graph below compares the total return (assuming all dividends are reinvested) to holders of ordinary shares since they were first admitted to the Official List of The UK Listing Authority, compared to the total shareholder return of the FTSE All-Share Total Return Index, which is the closest broad index against which to measure the Company's performance

Source Midas Capital Partners Limited

Directors' Emoluments for the Period (audited)
The Directors who served in the period received the following emoluments in the form of fees

	Period ended 31 May 2012 £
Michael Wrobel (Chairman)	34 583
Paul Craig	28 819
Lucinda Riches	28 819
Jane Tufnell	28 819
	121,040

Approval
The Directors' Remuneration Report was approved by the Board on 27 June 2012

On behalf of the Board
Michael Wrobel
Chairman

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union

Under company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period

In preparing the Group financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions other events and conditions on the Group's financial position and financial performance,
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements, and
- make judgements and estimates that are reasonable and prudent

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 Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Under applicable law and regulations, the Directors are also responsible for preparing a Directors Report (including Business Review), Directors Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority

The financial statements are published on the Company's website, www mamfundsplc com/dit, which is maintained on behalf of the Company by the Manager, Midas Capital Partners Limited Under the Management Agreement, the Manager has agreed to maintain, host, manage and operate the Company's website and to ensure that it is accurate and up to date and operated in accordance with applicable law The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction

We confirm that to the best of our knowledge

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and
- this Annual Report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces

On behalf of the Board
Michael Wrobel
Chairman

27 June 2012

Independent Auditor's Report
to the members of The Diverse Income Trust plc

We have audited the financial statements of The Diverse Income Trust plc for the period from 30 March 2011 to 31 May 2012 which comprise the Consolidated Income Statement the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group s and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2012 and of the Group's profit for the period then ended, and
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion 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, and
- the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us or
- the parent Company 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

Under the Listing Rules we are required to review

- the Directors statement, set out on page 13, in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration

Ernst & Young LLP

Caroline Gulliver
Senior Statutory Auditor
for and on behalf of Ernst & Young LLP
Statutory Auditor
London

27 June 2012

Consolidated Income Statement
for the period from 30 March 2011 (incorporation) to 31 May 2012

	Note	Period from incorporation to 31 May 2012 Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	11	-	(1,494)	(1 494)
Income	2	2,954	-	2 954
Investment management fee	3	(132)	(397)	(529)
Other expenses	4	(494)	-	(494)
Return/(loss) on ordinary activities before taxation		2,328	(1,891)	437
Taxation	5	(9)	-	(9)
Return/(loss) on ordinary activities after taxation	6	**2,319**	**(1,891)**	**428**
		pence	**pence**	**pence**
Return/(loss) per ordinary share	6	**2 32**	**(1 89)**	**0 43**

The Group does not have any income or expense that is not included in the net profit for the period Accordingly the net return after taxation for the period is also the Total Comprehensive Income for the period and consequently no separate Statement of Comprehensive Income has been presented

The total column of this statement is the Income Statement of the Group prepared in accordance with International Financial Reporting Standards ("IFRS'), as adopted by the European Union The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP")

All revenue and capital items in the above statement derive from continuing operations No operations were acquired or discontinued during the period

The notes on pages 30 to 41 form part of these financial statements

Consolidated and Parent Company Statements of Changes in Equity

for the period from 30 March 2011 (incorporation) to 31 May 2012

Group	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 March 2011	-	-	-	-	-	-
Total comprehensive income						
Net return for the period	-	-	-	(1,891)	2,319	428
Transactions with shareholders recorded directly to equity						
Issue of ordinary shares	100	49,900	-	-	-	50,000
Expenses of share issue	-	(1,322)	-	-	-	(1,322)
Equity dividends paid	-	-	-	-	(1 260)	(1 260)
Transfer upon cancellation of share premium account	-	(48,578)	48,578	-	-	-
Share premium cancellation expenses	-	-	(20)	-	-	(20)
As at 31 May 2012	**100**	**–**	**48,558**	**(1,891)**	**1,059**	**47,826**

Company	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 30 March 2011	-	-	-	-	-	-
Total comprehensive income						
Net return for the period	-	-	-	(1,891)	2 262	371
Transactions with shareholders recorded directly to equity						
Issue of ordinary shares	100	49 900	-	-	-	50,000
Expenses of share issue	-	(1,322)	-	-	-	(1,322)
Equity dividends paid	-	-	-	-	(1,260)	(1,260)
Transfer upon cancellation of share premium account	-	(48,578)	48 578	-	-	-
Share premium cancellation expenses	-	-	(20)	-	-	(20)
As at 31 May 2012	**100**	**–**	**48,558**	**(1,891)**	**1,002**	**47,769**

The notes on pages 30 to 41 form part of these financial statements

Consolidated and Parent Company Balance Sheets
as at 31 May 2012

	Note	Group 31 May 2012 £'000	Company 31 May 2012 £'000
Non-current assets			
Investments held at fair value through profit or loss	11	46,488	46,488
Current assets			
Investments held by subsidiary for trading		151	-
Other receivables	14	1 220	1 544
Cash and cash equivalents		767	537
		2 138	2 081
Current liabilities			
Other payables	15	(800)	(800)
Net current assets		1 338	1 281
Total net assets		**47,826**	**47,769**
Capital and reserves			
Share capital	8	100	100
Special reserve	9	48,558	48,558
Capital reserve	9	(1,891)	(1,891)
Revenue reserve	9	1,059	1,002
Shareholders' funds		**47,826**	**47,769**
		pence	
Net asset value per ordinary share	10	**47 83**	

These financial statements were approved by the Board of The Diverse Income Trust plc on 27 June 2012 and were signed on its behalf by

Michael Wrobel
Chairman

Company no 7584303

The notes on pages 30 to 41 form part of these financial statements

Consolidated and Parent Company Cash Flow Statements

for the period from 30 March 2011 (incorporation) to 31 May 2012

	Group 31 May 2012 £'000	Company 31 May 2012 £'000
Operating activities		
Net return before taxation	437	380
Losses on investments held at fair value	1,494	1,494
Purchases of investments	(82,122)	(82,122)
Sales of investments	34,022	34,022
Increase in other receivables	(408)	(408)
Increase in other payables	106	106
Acquisition of investments by subsidiary	(151)	-
Net cash outflow from operating activities before taxation	(46,622)	(46,528)
Taxation		
Withholding tax paid	(9)	(9)
Financing		
Cash inflow from placing and offer for subscription	50 000	50 000
Cash outflow from expenses of placing and offer for subscription	(1,322)	(1,322)
Equity dividends paid	(1 260)	(1 260)
Expenses incurred on share premium account cancellation	(20)	(20)
Movement in loan to subsidiary	-	(324)
Net cash inflow from financing	47 398	47,074
Increase in cash and cash equivalents	**767**	**537**
Reconciliation of net cash flow to movements in net funds		
Cash and cash equivalents at the start of the period	-	-
Net cash inflow from cash and cash equivalents	767	537
Cash and cash equivalents at the end of the period	**767**	**537**

The notes on pages 30 to 41 form part of these financial statements

Notes to the Consolidated Financial Statements
for the period ended 31 May 2012

1 General Information and Significant Accounting Policies

The Diverse Income Trust plc is a company incorporated and registered in England and Wales The principal activity of the Company is that of an investment trust company within the meaning of Section 1158 of the Corporation Tax Act 2010

As this is the first reporting period since the Company was incorporated no comparative figures have been shown

The Group's annual financial statements for the period to 31 May 2012 have been prepared in conformity with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and as applied in accordance with provisions of the Companies Act 2006 The annual financial statements have also been prepared in accordance with the AIC SORP issued in January 2009 for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS

Basis of preparation
The financial statements have been prepared on a going concern basis and on the assumption that approval as an investment trust company will be granted

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group s ability to continue as a going concern Therefore, the consolidated financial statements have been prepared on the going concern basis

The financial statements are presented in sterling, which is the Company's functional currency as the UK is the primary environment in which it operates, rounded to the nearest £'000 except where otherwise indicated

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its wholly-owned subsidiary DIT Income Services Limited drawn up to 31 May 2012

The subsidiary is consolidated from the date of its acquisition being the date on which the Company obtained control, and will continue to be consolidated until the date that such control ceases Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights The financial statements of the subsidiary are prepared for the same reporting year as the parent Company, using consistent accounting policies All inter-company balances and transactions, including unrealised profits arising from them are eliminated

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement The amount of the Company's return for the financial period dealt with in the financial statements of the Group is a profit of £371,000

Presentation of the Income Statement
In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been prepared alongside the Income Statement In accordance with the Company s status as a UK investment company under Section 833 of the Companies Act 2006 net capital returns may not be distributed by way of dividends Additionally, the net revenue return is the measure the Directors believe appropriate in assessing the Company s compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010

Segmental reporting
The Directors are of the opinion that the Company is engaged in a single segment of business being investment business The Company primarily invests in companies listed in the UK

1 General Information and Significant Accounting Policies – continued

Accounting developments

At the date of authorisation of the financial statements the following Standards which have not been applied in these financial statements were in issue but were not yet effective (and in some cases had not yet been adopted by the European Union)

International Accounting Standards (IAS/IFRS)	*Accounting periods beginning on or after*
IFRS 9 Financial Instruments Classification & Measurement	1 January 2015
Improvements to IFRS	Various dates

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Income Statement and the disclosure of contingent assets and liabilities at the date of the financial statements The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods There were no accounting estimates in the current period

Valuation of investments

As an investment trust the Company measures its non-current asset investments at fair value through profit or loss and treats all transactions on the realisation and revaluation of investments held as non-current assets, as transactions on the capital account Purchases are recognised on the relevant trade date inclusive of expenses which are incidental to the acquisition of the investments Sales are also recognised on the trade date after deducting expenses incidental to the sales

For investments actively traded in organised financial markets fair value is generally determined by reference to Stock Exchange quoted bid prices and SETS at last trade price at the close of business on the Balance Sheet date, without adjustment for transaction costs necessary to realise the asset Investments which are not quoted or which are not frequently traded are stated at Directors' best estimate of fair value

Transaction costs are expensed when incurred and are separately identified and disclosed in note 11

The investment in the subsidiary company, DIT Income Services Limited is held at cost (£1) less any provision for impairment Investments held as current assets by the subsidiary undertaking are classified as 'held for trading and are at fair value

Cash and cash equivalents

Cash comprises cash in hand, overdrafts and demand deposits Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value

Income

Dividends received from UK registered companies are accounted for net of imputed tax credits Dividends from overseas companies are shown gross of overseas withholding tax

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis except where in the opinion of the Directors the dividend is capital in nature, in which case it is taken to capital Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established All other income is accounted for on an accruals basis and is recognised in the Income Statement

1 General Information and Significant Accounting Policies – continued

Expenses
All expenses are accounted for on an accruals basis On the basis of the Board s expected long-term split of total returns in the form of capital and revenue returns of 75% and 25% respectively, the Company charges 75% of its investment management fee to capital All other administrative expenses are charged through the revenue column in the Income Statement

Taxation
Deferred tax is provided on an undiscounted basis in accordance with FRS 19 on all timing differences that have originated but not reversed by the Balance Sheet date, based on tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the marginal" basis Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account

No taxation liability arises on gains from sales of fixed asset investments by the Company by virtue of its investment trust status However the net revenue (excluding UK dividend income) accruing to the Company is liable to corporation tax at the prevailing rates

Dividends payable to shareholders
Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date

Capital reserve
Gains or losses on disposal of investments and changes in the fair value of investments held at the period end are transferred to the capital reserve

Also, certain other expenses net of any related taxation effects are charged to this reserve in accordance with the expenses policy above

Special reserve
The special reserve was created by a cancellation of the share premium account by order of the High Court in February 2012 It can be used for the repurchase of the Company's ordinary shares and for other corporate purposes Its main purpose is to allow the Company to meet annual redemption requests for ordinary shares

Share issue costs
Costs incurred directly in relation to the placing and offer for subscription of ordinary shares have been deducted from equity

2 Income

	Period from incorporation to 31 May 2012 £'000
Income from investments	
UK dividends	2,475
Unfranked dividend income	414
	2,889
Other income	
Net dealing gains of subsidiary	57
Bank deposit interest	4
Other income	4
Total income	**2,954**

3 Investment Management Fee

	Period from incorporation to 31 May 2012 Revenue £'000	Capital £'000	Total £'000
Investment management fee	132	397	529

Under the terms of an agreement dated 7 April 2011, the Company has appointed Midas Capital Partners Limited as the Manager The basic investment management fee is calculated at the rate of one-twelfth of 1 0% of the average market capitalisation of the Company on the last business day of each calendar month The basic management fee accrues daily and is payable in arrears in respect of each calendar month For the purpose of calculating the basic fee, the adjusted market capitalisation' of the Company is defined as the average daily mid-market price for an ordinary share, multiplied by the number of ordinary shares in issue, excluding those held by the Company in treasury, on the last business day of the relevant month In addition, the Manager is entitled to receive a management fee on any Redemption Pool, as detailed in the Report of the Directors on page 13

At 31 May 2012 an amount of £41,000 was outstanding and due to Midas Capital Partners Limited in respect of management fees

4 Other Expenses

	Period from incorporation to 31 May 2012 £'000
Secretarial services	108
Auditor's remuneration for*	
Audit of the Group's financial statements	26
Other assurance related services	28
Directors' fees (see the Directors' Remuneration report on pages 21 and 22)	121
Other expenses	211
	494

All expenses are stated gross of irrecoverable VAT, where applicable

* Amounts paid to the Company's Auditor in connection with the launch of the Company of £27,000 inclusive of VAT are included in share issue costs

5 Taxation

	Period from incorporation to 31 May 2012 Revenue £'000	Capital £'000	Total £'000
Overseas taxation suffered	9	–	9

5 Taxation – continued

The current taxation charge for the year is lower than the standard rate of corporation tax in the UK of 25 69% The differences are explained below

	Revenue £'000	Period from incorporation to 31 May 2012 Capital £'000	Total £'000
Return on ordinary activities before taxation	**2,328**	**(1,891)**	**437**
Theoretical tax at UK corporation tax rate of 25 69%	598	(486)	112
Effects of			
- UK dividends that are not taxable	(636)	-	(636)
- Overseas dividends that are not taxable	(106)	-	(106)
- Realised dealing gains	(17)	-	(17)
- Unrealised dealing losses	2	-	2
- Non-taxable investment losses	-	384	384
- Overseas taxation suffered	9	-	9
- Expenses not deductible for tax	5	5	10
- Unrelieved expenses	154	97	251
Actual current tax charge	**9**	**-**	**9**

Factors that may affect future tax charges
The Company has excess management expenses of £911,000 that are available to offset future taxable revenue No deferred tax asset has been recognised in respect of these amounts as they will only be recoverable to the extent that there is sufficient future taxable revenue It is unlikely that the Company will generate sufficient taxable income in the future to utilise these expenses to reduce future tax charges and therefore no deferred tax charge has been recognised

In addition deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company under HMRC rules

6 Return per Share

	Net return £'000	Period from incorporation to 31 May 2012 Ordinary shares*	Per share pence
Capital			
Loss per share	(1,891)	100,000,000	(1 89)p
Revenue			
Return per share	2,319	100,000 000	2 32p
Total			
Return per share	**428**	**100,000,000**	**0 43p**

* Weighted average number of ordinary shares in issue during the period

7 Dividends per Ordinary Share

Dividends on ordinary shares	Record date	Payment date	Period from incorporation to 31 May 2012 £'000
First interim of 0 30p	30 September 2011	30 November 2011	300
Second interim of 0 50p	31 December 2011	29 February 2012	500
Third interim of 0 46p	30 March 2012	31 May 2012	460
			1,260

The Directors have declared a fourth interim dividend in respect of the period ended 31 May 2012 of 0 93p per ordinary share payable on 31 August 2012 to all shareholders on the register at close of business on 29 June 2012 The total dividends payable in respect of the financial period for the purposes of the income retention test for Section 1158 of the Corporation Tax Act 2010 are set out below

	Period from incorporation to 31 May 2012 £'000
Revenue available for distribution by way of dividends for the period	2 319
First interim dividend of 0 30p per ordinary share	(300)
Second interim dividend of 0 50p per ordinary share	(500)
Third interim dividend of 0 46p per ordinary share	(460)
Declared fourth interim dividend of 0 93p per ordinary share	(930)
Estimated revenue reserve retained for the period	**129**

8 Called Up Share Capital

	31 May 2012 £'000
Allotted issued and fully paid	
100,000 000 ordinary shares of 0 1p each	**100,000**

The Company was incorporated on 30 March 2011 with an issued share capital of £50,000 represented by 50,000 management shares of £1 each

On 28 April 2011, 100,000,000 ordinary 0 1p shares were issued at 50p per share in a placing and offer for subscription

Redemption of ordinary shares

The Company, which is a closed-ended investment company with an unlimited life, has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares on an annual basis on 31 May in each year As set out in the Articles of Association, the Board may at its absolute discretion, elect not to operate the annual redemption facility in whole or in part Accordingly the ordinary shares have been classified as equity No redemption requests had been received at 31 May 2012

8 Called Up Share Capital – continued

Management shares

The 50,000 management shares with a nominal value of £1 each were allotted to MAM Funds plc the parent company of the Manager, on the basis of an undertaking to pay one-quarter of their nominal value on or before 30 March 2016 and the balance on demand The management shares are non-participating and non-redeemable and, upon a winding-up or on a return of capital of the Company, shall only receive the fixed amount of capital paid up on such shares and shall confer no right to any surplus capital or assets of the Company

As at 31 May 2012, no amounts had been paid up

9 Reserves

	Share premium account £'000	Special reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
Premium on issue of ordinary shares	49 900	-	-	-	-
Cancellation of share premium account	(48 578)	48,578	-	-	-
Expenses of share issue	(1 322)	-	-	-	-
Expenses of share premium account cancellation	-	(20)	-	-	-
Net losses on realisation of investments -	-	(776)	-	-	
Unrealised net decrease in value of investments	-	-	-	(718)	-
Management fee capitalisation	-	-	(397)	-	-
Equity dividends paid	-	-	-	-	(1 260)
Revenue return on ordinary activities after tax	-	-	-	-	2,319
Closing balance	**-**	**48,558**	**(1,173)**	**(718)**	**1,059**

At a General Meeting of the Company held on 6 April 2011 a resolution was passed approving the cancellation of the Company s share premium account

The Court subsequently confirmed this cancellation on 22 February 2012 and an amount of £48,578,000 was transferred from the Company's share premium account to its special reserve This amount can be treated as a distributable reserve for all purposes permitted by the Companies Act 2006 (as amended), and will enhance substantially the ability of the Company to meet annual redemption requests and to buy-back its own shares either into treasury or for cancellation

10 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net asset values attributable at the period end were as follows

	Net asset value per share 31 May 2012 p	Net assets attributable 31 May 2012 £'000
Ordinary shares		
– Basic and diluted	**47 83**	**47,826**

Net asset value per ordinary share is based on net assets at the period end and 100 000 000 ordinary shares, being the number of ordinary shares in issue at the period end

11 Investments

	Period from incorporation to 31 May 2012 £'000
Analysis of investment portfolio movements	
Opening valuation	-
Movements in the period	
Purchases at cost	82,816
Sales - proceeds	(34,834)
Sales - losses on sales	(776)
Increase in investment holding losses	(718)
Closing valuation	46,488
Closing book cost	47,206
Closing investment holding losses	(718)
	46,488

A list of the largest portfolio holdings by their fair value is given in the portfolio valuation on page 7

Transaction costs incidental to the acquisition of investments totalled £570,000 and on disposal of investments totalled £74,000 for the period

	Period from incorporation to 31 May 2012 £'000
Analysis of capital losses	
Losses on sales of investments	(776)
Movement in investment holding losses	(718)
	(1,494)

Fair value hierarchy
IFRS 7 requires classification of financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values

Classification	Input
Level 1	Valued using quoted prices in active markets for identical assets or liabilities (actively traded on recognised stock exchanges)
Level 2	Valued by reference to valuation techniques using inputs other than quoted prices included within Level 1
Level 3	Valued by reference to valuation techniques using inputs that are not based on observable market data

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

11 Investments – continued

The valuation techniques used by the Company are explained in the accounting policies in note 1 under the heading Valuation of investments' At 31 May 2012 all the Company's financial assets at fair value through profit or loss are included in Level 1, except for the investment in Merchant House Group, which is temporarily suspended and is therefore classified as a Level 2 investment due to its illiquid status The fair value of its holding is £108 000 and represents 0 2% of total net assets

The investment in the subsidiary is classified as a Level 3 investment

12 Substantial Share Interests

The Company has notified interests in 3% or more of the voting rights of seven investee companies (none of which are closed-end investment funds) However, the Board does not consider any of the Company s investments to be individually material in the context of the financial statements

13 Investment in Subsidiary

The Company owns the whole of the issued ordinary share capital (£1) of DIT Income Services Limited an investment dealing company registered in England and Wales The subsidiary is held at cost of £1 and has received loans from the Company amounting to £324,000 at 31 May 2012 (see note 14)

14 Other Receivables

	Group 31 May 2012 £'000	Company 31 May 2012 £'000
Amounts due from brokers	812	812
Dividends receivable	393	393
Prepayments and other debtors	15	15
Amounts due from subsidiary	-	324
	1,220	**1,544**

15 Other Payables

	Group 31 May 2012 £'000	Company 31 May 2012 £'000
Amounts due to brokers	694	694
Other creditors	106	106
	800	**800**

On 5 July 2011 the Company entered into an uncommitted multi-currency overdraft facility agreement with HSBC Bank plc The bank makes available an aggregate amount equal to the lesser of

(i) £20,000,000, and

(ii) 20% of custody assets from time to time

The purpose of the facility is for short-term liquidity and it has no fixed term but is subject to review from time to time, at least on an annual basis Interest is payable monthly in arrears on the amount of the facility outstanding at the rate of 1 75% above the applicable base rate In addition a fee of £15 000 per annum is payable on each anniversary date

The facility is secured by a floating charge over the Company s assets The overdraft facility was undrawn as at 31 May 2012

Subsequent to the year end the HSBC loan facility was renewed Under the terms of the renewal the total loan facility available to the Company was reduced to a maximum of £7 500 000 or 15% of custody assets from time to time

16 Capital Commitments and Contingent Liabilities

At 31 May 2012 there were no outstanding commitments or contingent liabilities

17 Analysis of Financial Assets and Liabilities

Investment objective and policy

The Group's investment objective and policy are detailed on page 1

The Group's investing activities in pursuit of its investment objective involve certain inherent risks

The Group's financial instruments comprise

- equity shares held in accordance with the Group's investment objective and policies,
- cash, liquid resources and short-term debtors and creditors that arise from its operations and
- current asset investments held by its subsidiary

The risks identified arising from the Group's financial instruments are market risk (which comprises market price risk interest rate risk and foreign currency exposure), liquidity risk, counterparty risk and credit risk The Board reviews and agrees policies for managing each of these risks, which are summarised below These policies have remained unchanged since the beginning of the accounting period

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Group's business It represents the potential loss the Group might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements The Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Manager on a regular basis and the Board at quarterly meetings with the Manager

Market price risk

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

The Board manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Manager Investment performance is reviewed at each Board meeting

The Group's exposure to other changes in market prices as at 31 May 2012 on its investments held at fair value through profit or loss was £46,488,000

A 10% increase in the market value of its listed equity investments at 31 May 2012 would have increased net assets attributable to shareholders by £4 649 000 An equal change in the opposite direction would have decreased the net assets available to shareholders by an equal and opposite amount

Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and payable on its overdraft facility The majority of the Group s financial assets and liabilities are non-interest bearing As a result, the Group's financial assets and liabilities are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates

The possible effects on the 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 imposes borrowing limits to ensure gearing levels are appropriate to market conditions

As disclosed in note 15, during the period the Group entered into an uncommitted multi-currency overdraft facility with HSBC Bank plc The facility was not in use as at the Balance Sheet date

The Group's exposure to interest rate risk at 31 May 2012 is limited to its cash and cash equivalents totalling £767000 and is not considered to be significant

The maturity profile of the Group's financial liabilities of £800 000 are all due in one year or less

17 Analysis of Financial Assets and Liabilities – continued

Foreign currency risk
Although the Company's performance is measured in sterling, a proportion of the Group's assets may be either denominated in other currencies or are in investments with currency exposure At the Balance Sheet date all the Group s assets were denominated in sterling and accordingly the only currency exposure the Group has is through the trading activities of its investee companies

Liquidity risk
The Group s assets primarily comprise readily realisable securities, which can under normal conditions be sold to meet funding commitments if necessary They may however be difficult to realise in adverse market conditions The Group can achieve short-term flexibility by the use of its overdraft facility

Credit risk
Credit risk is the risk of financial loss to the Group if the contractual party to a financial instrument fails to meet its contractual obligations

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Balance Sheet date

The Group's listed investments are held on its behalf by HSBC Bank plc acting as the Group s custodian Bankruptcy or insolvency of the custodian may cause the Group s rights with respect to securities held by the custodian to be delayed The Board monitors the Group s risk by reviewing the custodian s internal controls report

Investment transactions are carried out with a number of brokers whose creditworthiness is reviewed by the Manager Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Group's custodian bank ensures that the counterparty to any transaction entered into by the Group has delivered on its obligations before any transfer of cash or securities away from the Group is completed

Cash is only held at banks that have been identified by the Board as reputable and of high credit quality

None of the Group s assets are past due or impaired

Fair values of financial assets and financial liabilities
All of the financial assets and liabilities of the Group are held at fair value through profit or loss

All current liabilities are held in the Balance Sheet at a reasonable approximation of fair value

Capital management policies
The Company's capital management objectives are

- to ensure that it will be able to continue as a going concern, and
- to maximise the income and capital return over the long-term to its equity shareholders through an appropriate balance of equity capital and 'debt'

As stated in the investment policy the Company has authority to borrow up to 15% of net asset value through a mixture of bank facilities and derivative instruments There were no borrowings as at 31 May 2012

The Company's capital at 31 May comprises	**2012 £'000**
Shareholders' funds	
Share capital	100
Special reserve	48,558
Capital reserves	(1,891)
Retained earnings	1,002
Total shareholders funds	**47,769**

17 Analysis of Financial Assets and Liabilities – continued

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

- the planned level of gearing which takes into account the Manager's view of the market
- the need to buy back shares for cancellation or treasury 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 revenue in excess of that which is required to be distributed should be retained

The Company's objectives, policies and processes for managing capital have remained unchanged since its launch

18 Related Party Transactions
Under the Listing Rules the Manager is regarded as a related party of the Company The amounts paid to the Manager are disclosed in note 3 However, the existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies, and therefore, in terms of FRS 8 "Related Party Transactions", the Manager is not considered a related party The relationship between the Company, its Directors and the Manager is disclosed in the Report of the Directors

19 Post Balance Sheet Events
On 27 June 2012, the Company published a prospectus for a placing and offer for subscription of up to 100,000,000 C shares, anticipated to take place in mid July 2012

Shareholder Information

Redemption of Ordinary Shares
The Company has a redemption facility through which shareholders are entitled to request the redemption of all or part of their holding of ordinary shares on 31 May in each year Redemption Request forms are available upon request from the Company's Registrar

Shareholders submitting valid requests for the redemption of ordinary shares will have their shares redeemed at the Redemption Price The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to the Dealing Value per ordinary share or by reference to a separate Redemption Pool

The Board may, at its absolute discretion, elect not to operate the annual redemption facility on any given redemption point, or to decline in whole or part any redemption request although the Board does not generally expect to exercise this discretion, save in the interests of shareholders as a whole

Redemption Price
The Directors may elect at their absolute discretion, to calculate the Redemption Price applying on any Redemption Point on either of the following bases

(i) Redemption Price calculated by reference to Dealing Value per ordinary share

The Redemption Price shall be equal to the Dealing Value per ordinary share calculated as at the appropriate valuation point on the appropriate redemption point, or

(ii) Redemption Price calculated by reference to a separate Redemption Pool

The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption

Dealing Value of the Company
The Dealing Value of the Company will be calculated as the value of all the assets of the Company (excluding any assets attributable to any C shares prior to their conversion) less its liabilities (excluding any liabilities of the Company attributable to any C shares prior to their conversion)

Redemption Pool
Where the Board has decided to fund redemptions through the use of a Redemption Pool, in accordance with the Articles, the Company will notionally divide its assets and liabilities into two pools (in addition to any pool of assets and liabilities attributable to any C shares for the time being in issue)

(a) the Redemption Pool, which will consist of cash, assets and liabilities attributable to the ordinary shares which are the subject of valid redemption requests and which the Directors have exercised their discretion to redeem on the relevant redemption point, and

(b) the Continuing Pool which will contain all the other cash, assets and liabilities of the Company other than those attributable to any C shares for the time being in issue

Full details of the redemption facility are set out in the Company's prospectus dated 7 April 2011, or are available from the Company Secretary

Share Dealing
Shares can be traded through your usual stockbroker

Share Register Enquiries
The register for the ordinary shares is maintained by Capita Registrars In the event of queries regarding your holding, please contact the Registrar on 0871 664 0300 (calls cost 10p per minute plus network extras) or email ssd@capitaregistrars com Changes of name and/or address must be notified in writing to the Registrar Shareholder Services, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Share Capital and Net Asset Value Information

Ordinary 0 1p shares	100,000,000 at 31 May 2012
SEDOL Number	B65TLW2
ISIN Number	GB00B65TLW28

The Company releases its net asset value per ordinary share to the London Stock Exchange daily

Share Prices
The Company's ordinary shares are listed on the London Stock Exchange The mid-market prices are quoted daily in the Financial Times under 'Investment Companies'

Financial Calendar

August	Payment of fourth interim dividend
October	Annual General Meeting
November	Half-year end
	Payment of first interim dividend
January	Announcement of Half-Yearly Financial Report
February	Payment of second interim dividend
May	Year end
	Payment of third interim dividend

Annual and Half-Yearly Reports
Copies of the Annual and Half-Yearly Reports are available from the Company Secretary on telephone number 01392 412122 and are available on the Company's website www mamfundsplc com/dit

Investment Manager Midas Capital Partners Limited
The Company's Manager is Midas Capital Partners Limited, a subsidiary company of MAM Funds plc, an AIM-quoted firm

MAM Funds plc is the ultimate parent company of a fund management group trading under the "MAM", "MAM Funds", "Midas Capital Partners" and "Miton Asset Management" brands MAM Funds plc has offices in Liverpool, London and Reading

Originally conceived and founded in 2001 as a private client investment manager, the Manager's group has expanded since both geographically and in the range and scale of activities offered within the financial services industry In 2004, MAM Funds plc floated on AIM as iimia Investment Group plc The MAM group has undergone a number of name changes since then that reflect, in part, the development in the group through acquisitions iimia MitonOptimal plc (October 2007), Midas Capital plc (March 2008) and MAM Funds plc (July 2010)

MAM Funds plc had total assets under management totalling £1 67 billion as at 31 May 2012

Investor updates in the form of monthly factsheets are available from the Company's website

Association of Investment Companies
The Company is a member of the Association of Investment Companies

Glossary of Terms

Discount/Premium
If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share If the share price is higher than the NAV per share, the shares are said to be trading at a premium

Gearing
Gearing is the process whereby changes in the total assets of a company has an exaggerated effect on the net asset value of that company's ordinary shares due to the presence of borrowings or share classes with a prior ranking entitlement to capital

Net Asset Value ("NAV")
The NAV is shareholders' funds expressed as an amount per individual share Shareholders funds are the total value of all the Company's assets, at current market value, having deducted all liabilities and prior charges at their par value (or at their asset value)

Ongoing Charges (formerly Total Expense Ratio)
As recommended by the AIC in its guidance issued May 2012, Ongoing Charges are the Company's annualised revenue and capitalised expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of the Company during the period

Total Return
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first ANNUAL GENERAL MEETING of The Diverse Income Trust plc (the "Company") will be held on Wednesday, 17 October 2012 at 11 00 am at Furniture Makers' Hall, 12 Austin Friars London EC2N 2HE to consider and vote on the Resolutions below

Resolutions 1 to 10 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 11 to 13 (inclusive) will be proposed as Special Resolutions

		Resolution on Form of Proxy
1	To receive and adopt the audited financial statements for the period ended 31 May 2012 together with the Reports of the Directors and Auditor thereon	Resolution 1
2	To receive the Directors' Remuneration Report for the period ended 31 May 2012	Resolution 2
3	To elect Mr Wrobel as a Director of the Company	Resolution 3
4	To elect Mr Craig as a Director of the Company	Resolution 4
5	To elect Ms Riches as a Director of the Company	Resolution 5
6	To elect Ms Tufnell as a Director of the Company	Resolution 6
7	To re-appoint Ernst & Young LLP as Auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next meeting at which financial statements are laid before the Company	Resolution 7
8	To authorise the Directors to determine the remuneration of the Auditor of the Company	Resolution 8
9	THAT The Company's policy of paying four interim dividends per year be approved	Resolution 9
10	THAT The Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act") to exercise all the powers of the Company to allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal value of £10,000 (being 10% of the issued share capital of the Company at the date of this Notice) during the period commencing on the date of the passing of this Resolution and expiring at the conclusion of the Annual General Meeting of the Company to be held in 2013 (unless previously renewed, varied or revoked by the Company in general meeting) (the Section 551 period), but so that the Company may at any time prior to the expiry of the Section 551 period, make offers or agreements which would or might require equity securities to be allotted after the expiry of the Section 551 period and the Directors may allot equity securities in pursuance of such offers or agreements as if the authority had not expired	Resolution 10
11	THAT Subject to the passing of Resolution 10, the Directors be and they are hereby empowered in accordance with Sections 570 and 573 of the Act, to allot equity securities and to sell equity securities from treasury (as defined in Section 560(1) of the Act) for cash, pursuant to the authority under Section 551 of the Act conferred on the Directors by Resolution 10 above, as if Section 561(1) of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £10,000 (being 10% of the issued share capital of the Company at the date of this Notice), at a price per share not less than the net asset value per share, such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2013 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may at any time prior to the expiry of such power, make an offer to enter into an agreement which would or might require equity securities to be allotted or sold after the expiry of such power and the Directors may allot or sell equity securities in pursuance of such an offer or agreement as if such power had not expired	Resolution 11

Resolution on Form of Proxy

12 THAT

The Company is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 0 1p each in the capital of the Company ("Ordinary Shares") provided that — Resolution 12

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 14,990 000 (representing 14 99% of the Ordinary Shares in issue at the date of this Notice),

(b) the minimum price which may be paid for each Ordinary Share is 0 1p,

(c) the maximum price which may be paid for each Ordinary Share shall not be more than the higher of (i) an amount equal to 105% of the average of the middle market quotations of Ordinary Shares taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the contract of purchase is made, and (ii) the higher of the price of the last independent trade in the Ordinary Shares and the highest then current independent bid for the Ordinary Shares on the London Stock Exchange,

(d) this authority will (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2013,

(e) the Company may make a contract of purchase for Ordinary Shares under this authority before this authority expires which will or may be executed wholly or partly after its expiration, and

(f) any Ordinary Shares bought back under the authority hereby granted may, at the discretion of the Directors, be cancelled or held in treasury and if held in treasury may be resold from treasury or cancelled at the discretion of the Directors

13 THAT

A general meeting other than an annual general meeting may be called on not less than 14 clear days' notice — Resolution 13

By order of the Board
Capita Sinclair Henderson Limited, Secretary
Registered Office Beaufort House, 51 New North Road, Exeter EX4 4EP

27 June 2012

FOR AND ON BEHALF OF
CAPITA SINCLAIR HENDERSON LTD.
SECRETARY

Explanatory Notes to the Notice of Meeting

As a shareholder you have the right to attend speak and vote at the forthcoming Annual General Meeting or at any adjournment(s) thereof In order to exercise all or any of these rights you should read the following explanatory notes to the business of the Annual General Meeting

Note 1 To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast) members must be entered on the Company s register of members at 6 00 pm on Monday 15 October 2012

Note 2 A member entitled to attend and vote at this meeting may appoint one or more persons as his/her proxy to attend speak and vote on his/her behalf at the meeting A proxy need not be a member of the Company If multiple proxies are appointed they must not be appointed in respect of the same shares To be effective the enclosed form of proxy together with any power of attorney or other authority under which it is signed or a certified copy thereof should be lodged at the office of the Company s Registrar Capita Registrars PXS 34 Beckenham Road Beckenham Kent BR3 4TU not later than 48 hours before the time of the meeting The appointment of a proxy will not prevent a member from attending the meeting and voting in person if he/she so wishes A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every share of which he/she is the holder The termination of the authority of a person to act as proxy must be notified to the Company in writing

In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the vote or votes of the other joint holder or holders and seniority shall be determined by the order in which the names of the holders stand in the register

Any question relevant to the business of the Annual General Meeting may be asked at the meeting by anyone permitted to speak at the meeting You may alternatively submit your question in advance by letter addressed to the Company Secretary at the registered office

Note 3 A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may under an agreement between him/her and the shareholder by whom he/she was nominated have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting If a Nominated Person has no such proxy appointment right or does not wish to exercise it he/she may under any such agreement have a right to give instructions to the shareholder as to the exercise of voting rights

Note 4 The statements of the rights of members in relation to the appointment of proxies in Note 2 above do not apply to a Nominated Person The rights described in this Note can only be exercised by registered members of the Company

Note 5 As at 26 June 2012 (being the last business day prior to the publication of this notice) the Company s issued share capital amounted to 100 000 000 ordinary shares carrying one vote each and the total number of voting rights was 100 000 000

Note 6 The Company specifies that only those shareholders registered on the register of members of the Company as at 6 00 pm on Monday 15 October 2012 (or in the event that the meeting is adjourned only those shareholders registered on the register of members of the Company as at 6 00 pm on the day which is 48 hours prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting

Note 7 A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company On a vote on a resolution on a show of hands each authorised person has the same voting rights as the corporation would be entitled to On a vote on a resolution on a poll if more than one authorised person purports to exercise a power in respect of the same shares

a) if they purport to exercise the power in the same way as each other the power is treated as exercised in that way

b) if they do not purport to exercise the power in the same way as each other the power is treated as not exercised

Explanatory Notes to the Notice of Meeting – continued

Note 8 Shareholders should note that it is possible that pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006 the Company may be required to publish on a website a statement setting out any matter relating to (i) the audit of the Company s accounts (including the Auditor s report and the conduct of the audit) that are to be laid before the Annual General Meeting or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006 The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006 Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006 it must forward the statement to the Company s Auditor not later than the time when it makes the statement available on the website The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website

Note 9 In accordance with Section 319A of the Companies Act 2006 the Company must cause any question relating to the business being dealt with at the meeting put by a member attending the meeting to be answered No such answer need be given if

a) to do so would
   (i) interfere unduly with the preparation for the meeting or
   (ii) involve the disclosure of confidential information

b) the answer has already been given on a website in the form of an answer to a question or

c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered

Note 10 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this meeting by following the procedures described in the CREST Manual CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made by means of CREST to be valid the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear s specifications and must contain the information required for such instructions as described in the CREST Manual The message in order to be valid must be transmitted so as to be received by the Company s agent ID RA10 by the latest time for receipt of proxy appointments specified in Note 2 above For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means

CREST members and where applicable their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection CREST members and where applicable their CREST sponsors or voting service providers are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

Explanatory Notes to the Notice of Meeting – continued

Note 11 Members satisfying the thresholds in Section 338 of the Companies Act 2006 may require the Company to give to members of the Company entitled to receive notice of the Annual General Meeting notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting A resolution may properly be moved at the Annual General Meeting unless (i) it would if passed be ineffective (whether by reason of any inconsistency with any enactment or the Company s constitution or otherwise) (ii) it is defamatory of any person or (iii) it is frivolous or vexatious A request made pursuant to this right may be in hard copy or electronic form must identify the resolution of which notice is to be given must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting

Note 12 Members satisfying the thresholds in Section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious A request made pursuant to this right may be in hard copy or electronic form must identify grounds for the request must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting

Note 13 The Annual Report incorporating this Notice of Annual General Meeting and if applicable any members statements, members resolutions or members' matters of business received by the Company after the dates of this Notice will be available on the Company s website www mamfundsplc com/dit

Note 14 None of the Directors has a contract of service with the Company A copy of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting

The Diverse Income Trust plc

Form of Proxy

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned,

being a member/members of The Diverse Income Trust plc, hereby appoint the Chairman of the Meeting (see Note 1)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Furniture Makers' Hall, 12 Austin Friars, London EC2N 2HE on Wednesday, 17 October 2012 at 11 00 am and at any adjournment thereof

Signature

Dated 2012

☐ Please tick here to indicate that this proxy appointment is one of multiple appointments being made

Please indicate with an X in the spaces below how you wish your votes to be cast

		For	Against	Vote withheld
Resolution 1	To receive the audited financial statements and reports of the Directors and Auditor for the period ended 31 May 2012			
Resolution 2	To receive the Directors Remuneration Report			
Resolution 3	To elect Mr Wrobel as a Director of the Company			
Resolution 4	To elect Mr Craig as a Director of the Company			
Resolution 5	To elect Ms Riches as a Director of the Company			
Resolution 6	To elect Ms Tufnell as a Director of the Company			
Resolution 7	To re-appoint Ernst & Young LLP as Auditor of the Company			
Resolution 8	To authorise the Directors to determine the Auditor's remuneration			
Resolution 9	To approve the Company s dividend payment policy			
Resolution 10	To authorise the allotment of shares			
Resolution 11	To authorise the Directors to issue shares having disapplied statutory pre-emption rights			
Resolution 12	To renew the Company's authority to purchase its ordinary shares			
Resolution 13	To hold general meetings on 14 clear days' notice			

Notes

1 A member may appoint a proxy of his or her own choice If such an appointment is made delete the words the Chairman of the Meeting and insert the name of the person appointed proxy in the space provided

2 If the appointor is a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf

3 In the case of joint holders the signature of any one holder will be sufficient but the names of all the joint holders should be stated

4 If this form is returned without any indication as to how the person appointed proxy shall vote the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting

5 To be valid this form must be completed and deposited at the office of the Company s Registrar not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting Capita Registrars PXS 34 Beckenham Road Beckenham Kent BR3 4TU tel 0871 664 0300 (calls cost 10p per minute plus network extras)

6 A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the Resolution

7 To appoint more than one proxy (an) additional proxy form(s) may be obtained by contacting the Company s Registrar or you may copy this form Please indicate in the box next to the proxy holders name the number of shares in relation to which he or she is authorised to act as your proxy Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given All forms must be signed and should be returned together in the same envelope

8 The termination of the authority of a person to act as proxy must be notified to the Company s Registrar in writing

9 Please return this Proxy Form to **FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham Kent, BR3 4TU"**