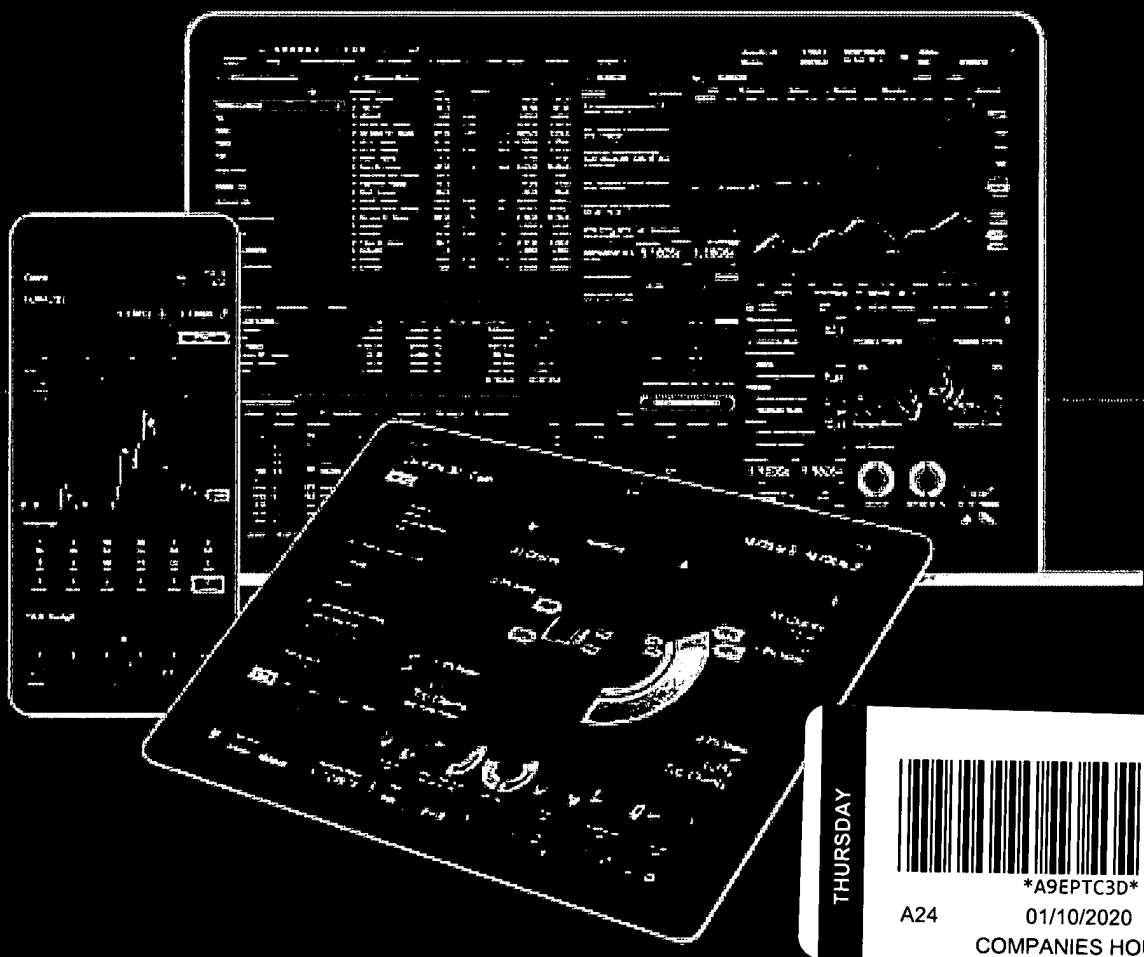


The Diverse Income Trust plc

Annual Report and Accounts
For the year to 31 May 2020



...positioned to take advantage of the potential
outperformance of UK income stocks across the
full range of market capitalisations

The Diverse Income Trust's investment universe is much broader than most other equity income trusts...



Weak growth over the past decade has created economic tensions, with electorates progressively questioning globalisation and voting for more domestically-focused policies.



Despite the moderation of global growth over the past ten years, quoted companies were able to sustain ongoing dividend growth partly because debt remained plentiful and inexpensive.



With the global pandemic, stock markets have suffered a setback as many corporates have found themselves overextended and have had to cut their dividends.



The UK's leadership in corporate governance includes ever increasing expectations regarding social and climate change issues.



This Annual Report outlines why the Trust's strategy is well placed for these changes, how they are reflected in the Manager's stock selection for the Trust's portfolio, and the Key Performance Indicators that the Directors use to monitor the Trust's performance.

...which could be a major advantage going forward.

Contents

The Company

- 1 The Diverse Income Trust plc

Strategic Report

- 3 Key Performance Indicators
- 3 Strategy
- 4 Chairman's Statement
- 6 Results for the Year to 31 May 2020
- 7 Financial Performance Indicators
- 8 Manager's Report
- 14 Portfolio Information
- 16 Summary of Total Costs Involved in Managing Diverse
- 17 Business Model
- 18 Principal Risks and Uncertainties
- 22 Share Capital
- 23 Stakeholder Engagement
- 25 Management and Other Matters

Governance

- 27 Directors
- 28 Report of the Directors
- 33 Corporate Governance Statement
- 40 Audit Committee Report
- 43 Directors' Remuneration Report
- 47 Statement of Directors' Responsibilities
- 49 Independent Auditor's Report

Company and Group Accounts

- 61 Consolidated Income Statement
- 62 Statements of Changes in Equity
- 64 Balance Sheets
- 65 Cash Flow Statements
- 66 Notes to the Consolidated Financial Statements

Shareholder Information

- 88 Redemption of Ordinary Shares
- 89 Shareholder Information
- 93 Notice of Annual General Meeting
- 99 AIFMD Disclosures
- 101 Glossary
- 104 Contact Details of the Advisers

The Diverse Income Trust plc

The Diverse Income Trust plc is an investment trust quoted on the London Stock Exchange (LSE) under the ticker code DIVI. It is referred to as the Company, Diverse or the Trust in the text of this report. The Board, which consists of six directors who are independent of the Manager, is responsible for appointing the Manager and monitoring its performance.

Following the Trust's listing, its net asset value (NAV) rose from 49.0p in April 2011 to 107.16p in May 2018. Subsequently, with the uncertainty brought about firstly by Brexit, and more recently by the global pandemic, stock markets have fallen, with the result that the Trust's NAV stood at 88.82p at the end of May 2020. The Trust's returns are one of the best in its peer group¹, the UK Equity Income sector, since its launch, and this report sets out the detail of the returns over the year to May 2020, and the outlook for the Trust for the future.

1.4%*

Ordinary dividend
increase

-2.5%**

Total return to
shareholders for the year

145.6%*

Annualised total return
since issue

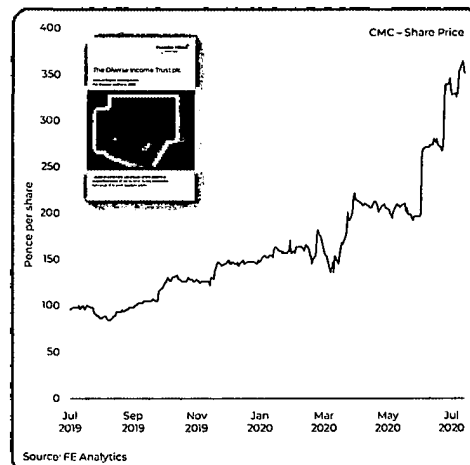
* Alternative performance measure. Details provided in Glossary on pages 101 to 103.

** Source: Morningstar. Including dividends paid and notionally reinvested during the year. Alternative performance measure. Details provided in Glossary on pages 101 to 103.

Our objective

The Company's primary objective is to pay shareholders a good and growing dividend income – principally derived from those paid by a portfolio of listed UK companies. Our strategy is focused upon maximising the potential for dividend growth, as companies that generate the greatest long-term dividend growth are often those that deliver the best capital return.

An example of the broad range of the Trust's portfolio CMC has differentiated itself from other online trading platforms by investing steadily over many years in its automated platform technology that executes a wide range of stock market, commodity and foreign exchange trades for retail and institutional investors. Its current profitability is driven by the underlying performance in its contract for difference business, which becomes busier when stock markets are volatile, as recently. In contrast to most other quoted companies, CMC increased its dividends this year. The Diverse Income Trust bought into CMC around a year ago when its commercial strengths were overlooked; following its subsequent share price appreciation, it was the fourth largest holding in the Trust's portfolio at the May 2020 year end.



The Company invests in a wide range of individual stocks and a number have been highlighted in this Report to help outline the nature of the Company's strategy. Please note that the inclusion of these examples does not imply any recommendation as to their individual investment merits going forward.

¹ Please refer to comparative figures on page 2.

How does the Diverse Income portfolio differ from other UK equity income strategies?

One of the major advantages of the Trust's strategy is that its investment universe includes not only large and mid-sized quoted stocks, but also small cap and AIM-quoted companies. A universe that includes such a broad range of UK-quoted stocks has the advantages outlined below:

1. **Dividend growth.** It is not just the largest quoted companies that pay good and growing dividends. An investment strategy that encompasses the full range of UK quoted equity income stocks, irrespective of their market capitalisation, enables all the potential winners to become a part of the Trust's portfolio and puts it in a better position to deliver premium dividends to the Trust's shareholders.
2. **Quality balance sheets.** One of the advantages of investing in quoted companies with modest debt or net cash balances, is that they can afford to be more generous in dividend distributions. Better still, at times of economic setback, a more robust financial position means they are less vulnerable to cutting their dividends. This benefit has been very evident during the pandemic, when almost none of the Trust's top 20 holdings (page 14) passed their dividends, in contrast to the stock market more generally, where numerous quoted companies have ceased to pay them.
3. **Small cap growth.** The advantage of including smaller quoted stocks in the portfolio is represented in decades of small cap outperformance relative to the mainstream indices. Since 1955, the date when detailed data was first regularly collected on the UK stock market, the smallest quoted companies have outperformed the FTSE All-Share Index by 5.0% per year. This compounds into a very major differential of return over the longer term.
4. **Diversity and risk reduction.** A portfolio made up of 128 positions diversifies liquidity risk compared with shorter lists of holdings in many other UK equity income trusts.
5. **M&A opportunities.** During economic recessions, there will tend to be numerous corporate insolvencies. At such times, few companies have capital structures that are robust enough to consider acquiring such businesses, and hence insolvent companies are often sold at very low valuations. A key advantage of listed companies is that they normally retain better access to external capital and during a recession, this advantage puts them in a position where they can acquire over-indebted but otherwise viable businesses at very low valuations. For quoted small cap stock this can be transformational.

Summary

Most UK equity income strategies limit their investment universe to a sub-sector of the UK quoted stock market, and in doing so limit their scope for portfolio diversification. In contrast, the Diverse strategy intentionally extends over the full UK-quoted investment universe, with a portfolio that has more numerous holdings than most other similar investment trusts. As a result, the portfolio includes businesses with a very wide variety of investment models and risk profiles, including amongst them several holdings whose prospects are anticipated to be counter-cyclical during an economic downturn. The objective is to work towards making the Company's overall revenue per share and returns more resilient through the stock market business cycle. As outlined alongside, over the longer term, the Diverse strategy has generated better returns than most of its peer group since the Trust was first listed in 2011, along with better risk metrics than others.

Key Performance Indicators

The Board reviews the Company's performance by reference to a number of KPIs 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 the UK Equity Income sector and other comparable investment trusts and open-ended funds and to various UK stock market indices.**

The NAV at 31 May 2020 was 88.82p per share (2019: 95.17p). The total return of the Company over the year, including the dividend income from the portfolio, was -2.5%. This compares with its peer group, the UK Equity Income sector, where the average was a 14.8% decrease in total return terms. By comparison, the total return on the FTSE All-Share Index was -11.2% over the year, on the FTSE SmallCap Index (excluding Investment Companies) was -17.1% and on the FTSE AIM All-Share Index was -7.7%.

- **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 year to 31 May 2020, the Company's NAV had a volatility of 12.2%¹. This compares to the peer group, where the average was 18.4%.

- **Movements in the Company's share price**

The Company's share price decreased by 1.2% over the year on a total return basis, including the 3.91p² dividends paid. This compares with its peer group, where the average move was a decrease of 14.8%.

- **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 year to 31 May 2020, the Company's share price has fallen behind the movement of the NAV, and the average discount to NAV over the year was 5.6%.

- **The Company's dividend growth rate**

The Company has an objective to deliver an attractive and growing dividend over the longer term. The Company has paid/declared four ordinary dividends totalling 3.70p for the year, representing a yield of 4.3% (based on an average share price of 86.91p). This was an increase of 1.4% compared with ordinary dividends paid last year, although the Company did pay a special dividend of 0.16p last year. In comparison to the peer group, the Company's ordinary dividends have grown at 7.9% since the Company was issued in April 2011, and this compares with the dividend growth of the peer group of 7.5%³. In total, 26.65p worth of dividends have been distributed by the Trust since launch in April 2011 compared to a share price at the time of 50p.

- **Ongoing charges**

The ongoing charges for the year to 31 May 2020 amounted to 1.09% (2019: 1.16%) of total assets. A summary of the total costs involved in managing the Company can be found on page 16.

Dividends

Ordinary dividends totalling 3.70p per ordinary share have been paid, declared or proposed in respect of the year ended 31 May 2020.

First interim dividend:	0.85p paid on 28 February 2020 (28 February 2019: 0.80p)
Second interim dividend:	0.90p paid on 31 May 2020 (31 May 2019: 0.85p)
Third interim dividend:	0.90p payable on 28 August 2020 (30 August 2019: 0.90p)
Final dividend:	1.05p payable on 30 November 2020 (29 November 2019: 1.10p as well as a special dividend of 0.16p)

A final dividend of 1.05p per ordinary share has been recommended by the Board. Subject to shareholder approval at the forthcoming AGM, the dividend will be paid on 30 November 2020 to shareholders on the register at the close of business on 25 September 2020. The ex-dividend date will be 24 September 2020.

¹ Source: Datastream.

² Dividends distributed during the year as set out in note 8 on page 74.

³ Average of the other UK Equity Income Trusts that have reported over the previous 12 months. Source: Morningstar.

Chairman's Statement



"A modest increase in full year dividend is in keeping with our objective to pay an attractive and growing dividend."

Michael Wrobel
Chairman

This annual report covers the twelve months to 31 May 2020.

Annual returns

Although stock markets rose for much of the Trust's financial year, the outbreak of the global pandemic during February and March 2020 led to a major setback. Lockdowns around the globe have created unemployment and reduced output. The resulting global recession has also put pressure on the finances of many companies. Over the year under review, the total return for the FTSE All-Share Index was -11.2%, the FTSE Small Cap Index (excluding Investment Trusts) -17.1%, and the FTSE AIM All-Share Index -7.7%.

In contrast, the total return on the Diverse Income Trust was -2.5%. The Trust proved more resilient given our focus on companies with robust balance sheets and less sensitivity to economic activity. Furthermore, for several years we have held a FTSE 100 Put option as insurance against a market fall, so when the UK stock market fell back in March 2020 this rose in value and was cashed in. This provided an additional £20m of new cash that was available to invest in additional portfolio holdings at a time when share prices were particularly low.

Shareholders' dividends

The Trust's revenue per share from the portfolio fell from 3.95p to 3.27p this year, since during our final quarter, numerous companies reduced or cancelled their dividends in response to the pandemic.

The Board is recommending a final dividend of 1.05p, so that the four quarterly dividends for the full year would amount to 3.70p, which compares with 3.65p last year. This modest increase is in keeping with our objective to pay an attractive and growing dividend. The Board proposes to utilise part of the Company's revenue reserves, built up from surpluses retained in previous years, in order to meet the revenue shortfall. If required, it is our intention to maintain this dividend policy by utilising revenue reserves since these are held in order to alleviate such circumstances. No special dividend has been declared this year, which compares with a 0.16p special paid last year.

COVID-19 Pandemic

The impact on personal lives, the economy, share prices and general corporate dividends are evident and still present. Our Managers and third party service providers have been able to manage their businesses thanks to technology and hard efforts, so that our Company has continued to operate effectively.

Returns since the Trust was first listed in April 2011 Starting with a yield at launch of 4.0%, the Company's long-term objective is to deliver growth in the Trust's revenue, which in turn should drive capital appreciation. Over the nine years and one month that the Trust has been listed, its revenue per share has grown by 5.4% and the NAV has appreciated by 6.6% per annum. The total return on the Trust since issue is 10.4% per annum, which compares with 4.5% from the FTSE All-Share Index, 6.8% from the FTSE SmallCap Index (excluding Investment Trusts) and 0.6% from the FTSE AIM All-Share Index over the same period.

Share Redemptions

The Trust's share price reflects the balance of buyers and sellers on the stock exchange. Hence when there is an imbalance, the share price can diverge from the underlying NAV. In order to ensure that any imbalances do not persist, the Trust offers all shareholders the option to redeem their shares each year.

In April 2020, 20,243,942 shares were offered for redemption, which represented around 5.3% of the share capital. At the Redemption Point on 29 May 2020, a day before the Trust's year end, the Board resolved to redeem these shares for cash at the prevailing NAV per share, with effect from 12 June 2020.

At the AGM the Company is seeking shareholder approval for the renewal of the authority to buy-back shares, and the Board is prepared to do so if it determines this to be in the best long-term interests of shareholders.

Board refreshment

I retire from the Board after this year's AGM, having served the appropriate term since the Company's launch. The Board has conducted a thorough review to complete our succession plans and ensure a smooth transition. I am delighted that Andrew Bell will take over as Chair. He brings a wealth of investment trust experience. Calum Thomson will take on the role as the Senior Independent Director. As a shareholder, I am confident that the Company is in good hands, with a refreshed and capable Board and an excellent team of portfolio managers at Premier Miton, ably led by Gervais and Martin.

Prospects

The broad investment universe of the Trust's equity income strategy should be a major advantage at a time when the dividend prospects for the UK market's larger companies may be very limited. We believe that our Manager's approach to selecting stocks with strong finances and sound prospects for dividend growth continues to offer advantages to long-term investors.

Michael Wrobel
Chairman

17 August 2020



Results for the Year

to 31 May 2020

- Over the year to 31 May 2020, the movement in the Company's NAV was -6.63%. This compares with the FTSE All-Share Index that fell 11.2%, the FTSE SmallCap Index (excluding Investment Companies) that fell 17.1% and the FTSE AIM All-Share Index that fell 7.7% over the same period on a capital return basis.
- 3.70p of ordinary dividends for the year
The three interim dividends and the proposed final dividend for the year amount to 3.70p, compared with 3.65p in the previous year, an increase of 1.4%. The Company has not recommended a special dividend this year (2019: 0.16p).
- Revenue reserves decreased to £15.0m
The Company distributed £14.8m during the year in dividends to shareholders whilst drawing £2.5m from revenue reserves. The revenue reserves are available to help smooth dividend distributions to shareholders.
- NAV total return to shareholders of -2.5%
This includes the decrease in NAV, plus the dividends paid during the year and compares with a decrease in the FTSE All-Share Index of 11.2% on a total return basis over the year to 31 May 2020.
- Share price total return to shareholders of -1.2%
The share price of the Company fell back further than the NAV reduction over the year, so the share price total return, which includes the share price setback offset by the dividends declared, was more adverse than the NAV total return.

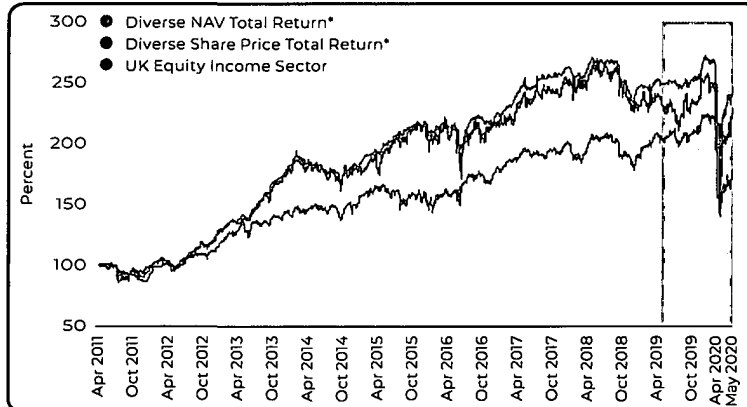
Summary of Results

	31 May 2020	31 May 2019	Change
NAV per ordinary share	88.82p	95.17p	(6.7)%
Ordinary share price (mid)	84.00p	89.00p	(5.6)%
Discount to NAV*	5.43%	6.48%	
Revenue return per ordinary share	3.27p	3.95p	
Ordinary dividends per ordinary share paid/declared	3.70p	3.65p	1.4%
Special dividend per ordinary share declared	–	0.16p	
Total dividends per ordinary share paid/declared	3.70p	3.81p	
Ongoing charges (further details on page 16)*	1.09%	1.16%	
Ordinary shares in issue	378,289,047	383,787,239	

* Alternative performance measure. Details provided in the Glossary on pages 101 to 103.

Financial Performance Indicators

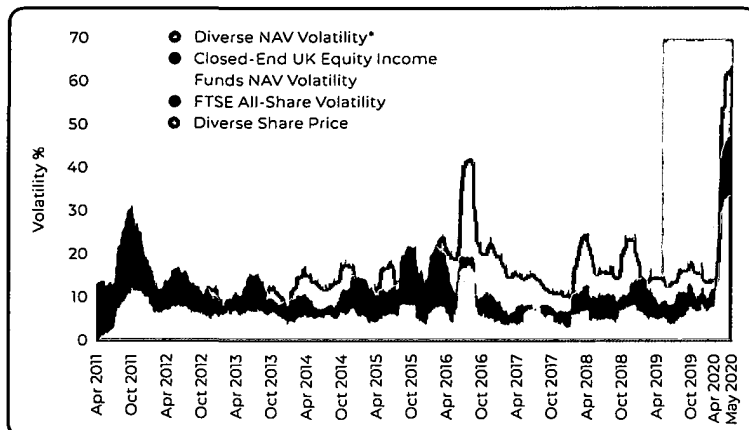
NAV v share price v UK Equity Income sector



Source: Datastream as at 31 May 2020. Data rebased to 100.

The chart details the NAV and the daily closing share price of the Company compared with that of the UK Equity Income sector, which includes many of the other trusts with a policy of mainly investing in UK-quoted stocks with above average dividend yields. These capital gain figures have been supplemented with the dividends paid over time and hence are quoted in total return terms.

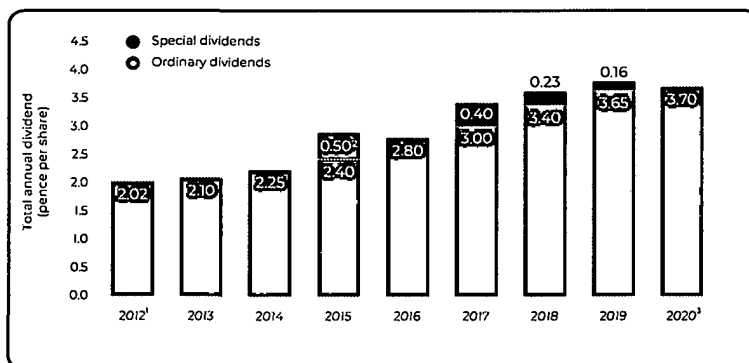
NAV volatility v FTSE All-Share Index v UK Equity Income sector



Source: Thomson Datastream, Panmure Gordon as at 31 May 2020.

The chart details the volatility of the Company's NAV and compares it with that of the FTSE All-Share Index and the UK Equity Income sector.

Total annual dividends declared by the Company



* Alternative performance measure. Details provided in Glossary on pages 101 to 103.

The chart outlines the total annual dividend declared by the Company over a year, and how these have grown over time.

¹ The figure of 2.02p for 2012 represents 2.19p, which was the total of the four interim dividends actually paid for the initial 13-month period to 31 May 2012, recalculated proportionally as if the initial period had been 12 months.

² In order to allow shareholders to vote on the dividend, a final dividend was introduced in the year ended 31 May 2015, resulting in the payment of five dividends for that year. Since then, the Company has paid three interim dividends and a final dividend in respect of each year.

³ Includes proposed final dividend for the current year.

Manager's Report

Investing in quoted companies always involves actively contemplating areas where investment returns could be affected by an abrupt change in economic circumstances and social attitudes. Three of these potentially controversial areas are outlined below, along with an explanation of how the Trust's strategy addresses each.

The heavily indebted nature of global economies
Whilst stock markets have delivered very substantial returns over recent decades, much of their momentum may have been driven by two factors that have led to near-continuous growth of credit.

- The ongoing surge of low-cost imports has kept inflation in check for three decades. Whilst home-rental costs and other domestic charges have risen, they have been offset by the falling prices of clothing, electronics and food. Overall, CPI inflation has remained benign for a generation, and central banks have hardly ever needed to raise interest rates.
- Without the constraint of CPI inflation, central banks have been able to inject economic stimuli at will. After UK interest rates fell below 1.0%, the prior trend was kept going by the use and reuse of Quantitative Easing over the past 12 years.

With such a favourable economic background, the commercial banking sector has been ever ready to lend. Corporates, governments and consumers have come to treat the near-continuous supply of low-cost credit as normal and worked on the basis that debt could be constantly deferred, rather than repaid. Following the global pandemic, governments have stretched even further to help businesses avoid collapse. Whilst this has kept the status quo in place for now, the highly indebted nature of global economies does limit the scope for central banks and governments to address future crises. The Trust's portfolio is generally made up of quoted holdings with modest debt or net cash, which will have greater resilience when the debt equilibrium comes to an end.

Directors' remuneration

One of the side effects of the long period of rising stock markets is that quoted companies have leap-frogged each other in an attempt to recruit the best executives. For some years, directors' remuneration has appeared out of line with the commercial value that they deliver - most particularly within FTSE 100 boards. Executive remuneration packages will moderate when stock market returns normalise, but in the meantime, the Trust routinely votes against the remuneration reports of the largest quoted companies.

The Manager also actively engages with the Remuneration Committees of the companies in the Trust's portfolio, and advocates that the stock market metrics of the performance criteria are too narrow. Staff motivation, customer service and sustainability could all have much larger weightings in directors' long-term remuneration for example.

Addressing climate change and reducing carbon footprints

As part of the process of identifying downside risks, the Manager questions management teams on their plans to address climate change within their businesses, with an objective of working with the management teams towards improving their carbon footprints over time.

It is anticipated that all quoted companies will become obliged to collect data on their annual carbon emissions and publish these with their annual results. Already, a number of UK quoted companies publish standardised metrics such as the CO₂ emissions per unit of production or £1m of revenue, along with their overall water and energy consumption per annum. As this becomes the norm, we expect UK-quoted companies to work towards progressively reducing their carbon footprint going forward.

Although the Trust does have a policy of investing across most industry sectors, one of the factors that the Manager takes into account is the risk that some industry sectors may become so unpopular that gradually all other institutional investors will

avoid them altogether. If this occurs, then there is a danger that the Trust will be unable to liquidate a holding. The Trust has already scaled back its holdings related to coal extraction companies for this reason.

Conversely, there are quite a few UK-quoted businesses working in sectors that have a positive impact on carbon emission targets. Inspired Energy, which monitors the power and water consumption of their customers, to help them reduce wastage is one example. Over recent years, Inspired Energy have extended their service so that they can provide auditable data on the annual carbon emissions of their clients. At present, the valuations of many of these kinds of companies are often no higher than others in the portfolio, because numerous smaller quoted companies are overlooked by other investors. In time however, we do expect the valuations of stocks that are making a positive impact on the climate change agenda to move to premium valuations. As this occurs, it is expected that it will enhance the returns of the Trust.

Who are the fund managers of the Trust?
Premier Miton Group plc is the fund manager of the Trust. They are a listed fund management company with a high profile for successfully managing UK-quoted smaller company portfolios over the longer term.

Prior to the merger of Miton and Premier last November, both companies had a heritage of organically growing their fund management businesses from small beginnings, through client-centric fund strategies that have scope to deliver returns that are ahead of others. In the case of Premier, it was principally within funds with a mix of shares, bonds and property, whereas in the case of Miton, it was principally via equity portfolios in specific investment universes, such as The Diverse Income Trust plc. Premier Miton are a signatory to the UN Principals of Responsible Investing.

The day-to-day management of the Trust's portfolio continues to be carried out by Gervais Williams and Martin Turner, who came together as a team when this Trust first listed in April 2011.

Gervais Williams

Gervais joined Miton in March 2011 and is Head of Equities in Premier Miton. He has been an equity fund manager since 1985, including 17 years at Gartmore. He was named Fund Manager of the Year by What Investment? in 2014. Gervais is also a board member of the Quoted Companies Alliance and a member of the AIM Advisory Council.

Martin Turner

Martin joined Miton in May 2011. Both Martin and Gervais have had a close working relationship since 2004, with their complementary expertise that led them to back a series of successful companies. Martin qualified as a Chartered Accountant with Arthur Anderson and had senior roles and extensive experience at Merrill Lynch and Collins Stewart.

Why did the UK stock market fluctuate so much over the year?

Prior to the start of the year under review in May 2019, the US central bank had been attempting to normalise US interest rates, after a long period at very low levels. They had raised US interest rates by 0.25% several times and inverted their policy of Quantitative Easing into QT – Quantitative Tightening. As global growth became very weak however, and stock markets around the world fell back, the policy was abandoned. Hence, at the start of the Trust's year in June 2019, stock market indices around the world were already recovering well.

This positive trend was less evident in UK stocks where political uncertainty led to a logjam over Brexit implementation. This anxiety was most evident within smaller UK-quoted company share prices, as investors chose to hold back any additional investment at the time.

Manager's Report continued

In December 2020, the political uncertainty cleared, when the Conservative party won a clear parliamentary majority in a General Election. This brought immediate interest into the UK stock market, most particularly into smaller UK-quoted companies.

Towards the end of the Trust's financial year, the improving trend was eclipsed however, by the spectre of the global pandemic. As COVID-19 spread around the world, most governments were obliged to introduce lockdowns, to ensure that their health services weren't overwhelmed. Unfortunately, this has initiated a deep global recession, and a major drawdown of global stock markets.

Governments have sought to bridge the most adverse economic effects of the recession, by offering extra payments to businesses in the hope of preventing as many job losses as possible. Whilst these policies were welcomed by the financial markets, the UK stock market still finished the Trust's year well down.

The total return on the FTSE All-Share Index over the year to May 2020, including the decline in the stock market offset in part by the dividend income was -11.2%. The total return on the FTSE AIM All-Share Index was down 7.7%, and the FTSE SmallCap Index (excluding Investment Companies) was down 17.1%.

Why were the Trust's returns relatively resilient this year?

Diverse has an actively managed strategy that aims to generate better dividend growth than others over the longer term, with an eye to moderating downside risk where possible. Three components of this risk mitigation strategy came together this year, which helped to scale back the Trust's NAV decline.

First, the bulk of the stocks in the portfolio have been selected for resilience, such as those with relatively strong balance sheets or counter-cyclical business models. During economic setbacks, counter-cyclical holdings can sometimes continue to prosper. This year, the gold mining holdings, such as Centamin and Highland Gold for example, boosted the Trust's return by 1.8%. Alongside, the holdings in spread betting businesses, including CMC Markets, IG Group and Plus500, also enhanced the Trust's return by 1.9% this year.

Second, many of the small cap portfolio holdings have been on overlooked valuations relative to their prospects. With the political uncertainty during 2018 and 2019, many small cap valuations were even more overlooked than usual. When small cap stocks stand on such undemanding valuations they are vulnerable to being taken over for cash at a significant premium, and this year the Trust's portfolio has lost more than usual to a stream of cash takeovers. During the year, the three takeovers that boosted the Trust's returns the most were of Charles Taylor, Haynes Publishing and KCOM which together enhanced the Trust's return by 1.6%.

Third, the Trust's longer-term strategy has such good prospects that it can sometimes afford an investment in a FTSE 100 Index Put option, despite the likelihood that it often might end up modestly detracting from portfolio returns. Normally, such a holding would only generate a profit when the mainstream stock market suffers a major setback, and these events occur infrequently. The year under review was one of those infrequent years and the Put option rose in value to a multiple of its original cost, when it was sold during March 2020. The appreciation of the Put option offset a part of the drawdown of the portfolio valuation at the time, whilst the funds released on its sale were able to fund new investment holdings at a time when their purchase prices were relatively low and boost the Trust's revenues with the forthcoming dividends they pay.

The three factors outlined above were offset in part by some individual portfolio holdings that disappointed over the year. Many of the poor outcomes this year were amongst the lending institutions in the portfolio. The Trust's holdings in Lloyds and The Royal Bank of Scotland for example passed their dividends during March and April 2020, and their share price setbacks detracted 1.2% over the year. Furthermore, Amigo and Morses Club had individual specific disappointments, cut their dividends and together detracted 2.5% over the year. Given their limited dividend prospects, most of these holdings have now been sold, with the exception of Morses Club which is expected to resume dividend payouts before long.

After numerous dividend cuts across the stock market, what is the outlook for the Trust's payout? In general, corporates have borrowed additional cash easily for years. During this period, even when individual companies did run short of internal cashflow to pay their dividends, it was often easy to maintain dividend payments by taking on additional debt.

Many businesses will now become less profitable, or even loss-making with the pandemic, and the global recession. Whilst this is a challenge for many, it is particularly difficult for companies with major debt balances. Lesser profitability implies lesser internal cashflow, so it may become even harder to sustain dividend payments, with some falling foul of loan covenant ratios as well. Given the potential severity of the global recession, numerous quoted companies have chosen to pass their dividends and retain the cash in their businesses.

As the Trust starts a new financial year, the prospects for dividend income are already improving taking into account the payment of dividends that had been deferred and the reinstatement of dividends from companies that had previously cancelled.

The sale of the Put option generated an extra £20m of cash for the Trust, that was available to be invested in new income generating stocks. In addition, the share prices of certain holdings in the Trust's portfolio have risen so as these are sold and replaced with higher dividend paying holdings, this tends to boost the Trust's revenue. In time, we also expect some of the companies that passed their dividends to resume again. Overall, the Trust's dividend revenue has already started to recover, and in time it is anticipated that it will exceed the current annual dividend of 3.70p per share. When it does, the Trust will be in a position to increase dividends to shareholders as it did previously without drawing on reserves.

How has the Trust performed since it was first set up in April 2011?

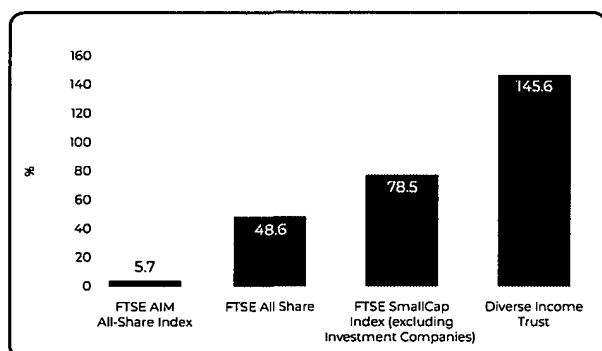
The FTSE All-Share Index has hardly appreciated at all between the end of April 2011 when the Trust was first listed and the end of May 2020, the end of the Trust's financial year. When the dividends from the FTSE All-Share Index are included however, the cumulative total return has been 48.6%.

Whilst the FTSE AIM All-Share Index has performed well over recent years, its returns were relatively weak earlier, so its total return over the same time period was 5.7%. In contrast, the FTSE SmallCap Index (excluding Investment Companies) has delivered a total return over 78.5% over this time period. The average of all UK equity income trusts was 67.8% over this period.

Manager's Report continued

The Trust has outperformed these comparatives with a NAV total return of 145.6% when all the dividends paid to shareholders are included.

Total Returns Since Trust Launch in April 2011



Does the Trust invest in unlisted stocks?

No, the Trust invests solely in quoted stocks albeit this does include some warrants that have been free issued with new shares and some loan notes convertible into ordinary shares. We have always anticipated that the longer-term returns on the Trust's strategy would be entirely satisfactory without the need to invest in unlisted stocks.

What are the longer-term prospects for the Trust? Stock markets have been persistently strong over past decades because corporates, governments and consumers have all been comfortable taking on progressively more borrowings. This positive trend has been facilitated by two factors.

1. The ongoing surge of low-cost imports has kept inflation in check for three decades. Whilst rental costs and other domestic charges have inflated, they have been offset by the falling prices of clothing, electronics and food. Overall, CPI inflation has remained benign and central banks haven't needed to raise interest rates meaningfully for a generation.

2. Without a CPI inflation constraint, central banks have been able to inject economic stimulus at will. When UK interest rates fell below 1.0%, the use and reuse of QE over the past 12 years has kept the prior trend going.

The key outcome has been a long period when commercial banks have been in near-permanent lending mode. Alongside, as the cost of debt has tended to decline, borrowers have lived in a world where credit has been ever plentiful and cheap.

All this has been reflected in a long-standing economic equilibrium. Whenever debt became due, there was always someone willing to relend the cash, often at a lower interest rate than last time. Borrowers came to treat easy access to debt as normal and use it as a bridge in expectation of bigger returns in future. Quoted companies that weren't generating as much surplus cashflow as they hoped for example, could keep their dividends growing via extra cheap debt in the expectation that their profits would catch up in time. In turn, the sustained use of economic stimulus boosted the demand for risk assets as well, with bond yields falling to ultra-low levels, and stock markets rising considerably. Easy access to plentiful risk capital engendered profligate corporate behaviour. Heavily cash consumptive growth stocks could forgo profits for multiple years for example, because they could rely on abundant risk capital chasing the mega-payback in future.

The key question about the future is whether the long-standing debt equilibrium can be maintained through a pandemic? In our view, it all boils down to whether banks will continue to offer plentiful debt at low interest rates.

- At present, the default risk for banks has been deferred as governments have made up for the corporate cashflow shortfall, in the hope that everything remains in place once the pandemic is over. Many market participants look forward to the lockdowns being unwound once the virus is under control and it is anticipated that we can do the same.
- In contrast, there is evidence that COVID-19 hotspots will continue to flare up, which could lead to numerous consumer and entertainment businesses becoming insolvent. Unemployment has already risen considerably globally and this trend, along with an increase in debt defaults, might lead banks to change their behaviour.

The prospect of an end to the past status quo is a real worry for politicians and central bankers who fear they may be losing the initiative. Already quoted companies have been quick to cut back their dividends as they retain as much corporate cashflow as they can ahead of the global recession.

In our view, the prognosis is a new stock market trend where corporates scale back their debt, and that could lead to a flat line for years, in a similar way to that of the Japanese stock market for example.

If this were to occur, it will become essential for stock market investors to select quoted companies that have the potential to buck the wider trend. During the 1970s, when stock market conditions were equally demanding, UK smaller quoted companies went on to outperform by a wide margin.

One of the major advantages of being listed is the access to external capital at a time when it is scarce for others. During the coming period, there will be the opportunity to acquire what were overindebted but otherwise viable businesses from the receiver, or distressed sellers, at unusually low valuations. These have the potential to provide very high cash paybacks on their unusually low acquisition prices. Transactions like this may not only boost the acquirer's cashflow but also put them in a position to deliver superior dividend growth at a time when many of the mainstream dividend payers are compromised. The key point is that these kinds of transactions could be helpful for some mainstream stocks, but often being small, they normally would only be incremental. The same transaction within a UK-quoted small cap could be transformational to its prospects and its share price.

Overall, we believe that a multicap equity income strategy that can pick out those with the best opportunities remains well-placed to better navigate these uncertain markets.

Gervais Williams and Martin Turner
17 August 2020

Portfolio Information

as at 31 May 2020

Rank	Company	Sector & main activity	Valuation £000	% of net assets	Yield ¹ %
1	Highland Gold Mining ²	Basic Materials	7,569	2.3	5.2
2	Centamin	Basic Materials	7,334	2.2	3.8
3	Diversified Gas & Oil ²	Oil & Gas	6,594	2.0	10.6
4	CMC Markets	Financials	6,432	1.9	1.8
5	Admiral	Financials	5,650	1.7	4.2
6	IG	Financials	5,543	1.6	5.7
7	Morrison (WM) Supermarkets	Consumer Services	5,495	1.6	3.6
8	Strix ²	Industrials	5,274	1.6	4.1
9	FRP Advisory ²	Professional Services	5,193	1.5	-
10	Hilton Food	Consumer Goods	5,192	1.5	1.7
Top 10 investments			60,276	17.9	
11	Concurrent Technologies ²	Technology	4,807	1.4	2.3
12	Manolete Partners ²	Financials	4,764	1.4	0.2
13	Amino Technologies ²	Technology	4,740	1.4	1.2
14	Kenmare Resources	Basic Materials	4,660	1.4	3.0
15	Paypoint	Industrials	4,618	1.4	7.7
16	Direct Line Insurance	Financials	4,509	1.3	2.7
17	Randall & Quilter ²	Financials	4,474	1.3	5.8
18	Tesco	Consumer Services	4,367	1.3	4.0
19	Phoenix	Financials	4,235	1.3	7.6
20	Avacta ²	Health Care	4,212	1.3	-
Top 20 investments			105,662	31.4	
21	Legal & General	Financials	4,207	1.3	8.9
22	National Grid	Utilities	4,150	1.2	5.0
23	Polymetal International	Basic Materials	4,007	1.2	3.8
24	Rio Tinto	Basic Materials	3,911	1.2	5.4
25	Vodafone	Telecommunications	3,868	1.2	6.0
26	Sabre Insurance	Financials	3,786	1.1	4.8
27	Plus500	Financials	3,718	1.1	3.9
28	Inspired Energy ²	Industrials	3,605	1.1	4.1
29	BHP	Basic Materials	3,467	1.0	7.1
30	Smurfit Kappa	Industrials	3,457	1.0	0.9
Top 30 investments			143,838	42.8	
31	St James's Place	Financials	3,435	1.0	2.2
32	Jersey Electricity	Utilities	3,359	1.0	3.4
33	Intermediate Capital	Financials	3,339	1.0	4.0
34	Jadestone Energy ²	Oil & Gas	3,323	1.0	-
35	Begbies Traynor ²	Industrials	3,211	1.0	2.8
36	Mondi	Basic Materials	3,207	1.0	1.8
37	Sainsbury (J)	Consumer Services	3,199	1.0	1.7
38	888	Consumer Services	3,184	0.9	3.1
39	Hastings	Financials	3,183	0.9	5.4
40	GlaxoSmithKline	Health Care	3,168	0.9	4.8
Top 40 investments			176,446	52.5	
Balance held in 85 equity investments			129,564	38.6	
Total equity investments			306,010	91.1	
600 Group 8% Convertible Loan Notes 14/02/2022 ³			2,005	0.6	
Intercede Group 8% Secured Convertible Loan Notes 29/12/2021 ⁴			1,550	0.5	
Active Energy 8% Loan Notes 2022 ⁴			833	0.2	
Fixed interest investments			4,388	1.3	
Total investment portfolio			310,398	92.4	
Other net current assets			25,612	7.6	
Net assets			336,010	100.0	

A copy of the full portfolio of investments as at 31 May 2020 is available on the Company's website, www.mitongroup.com/dit.

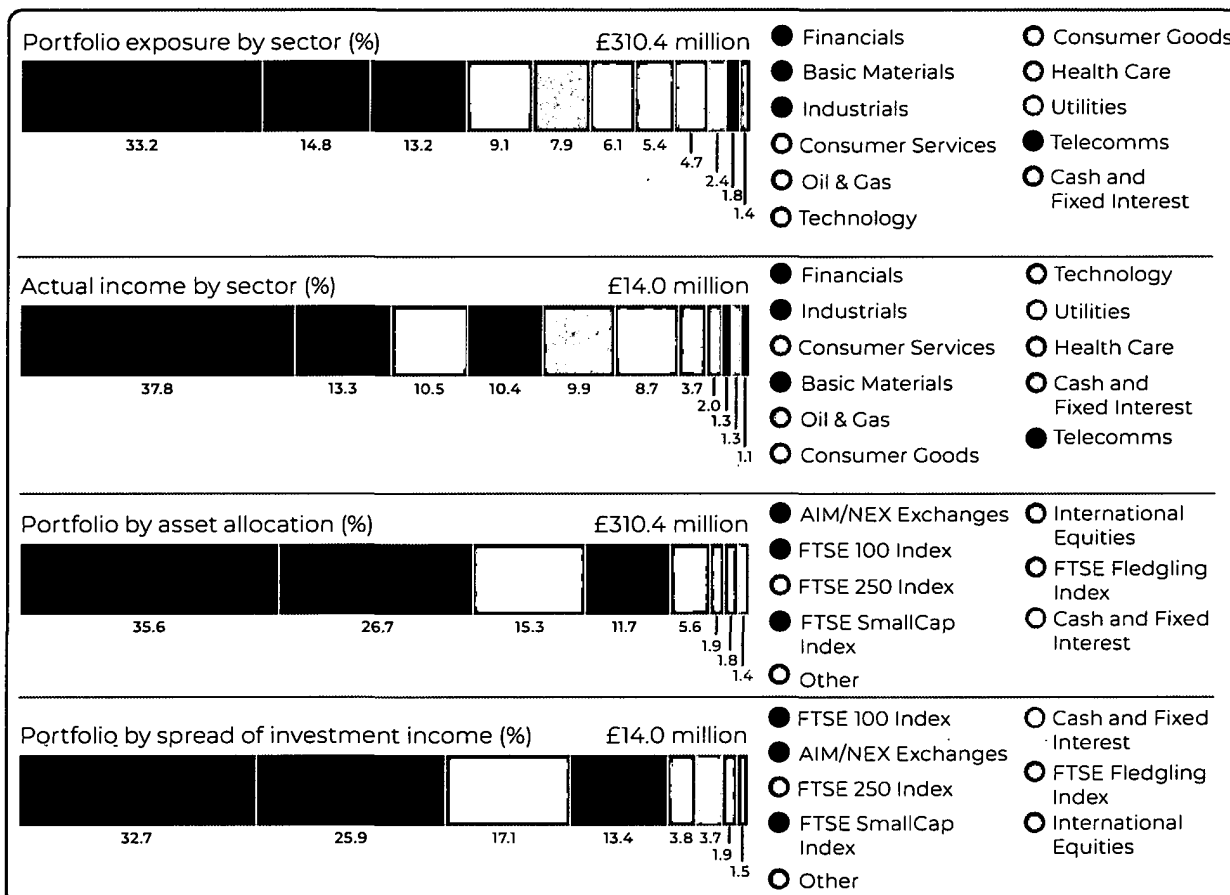
¹ Source: Thomson Reuters. Dividend yield based upon historic dividends and therefore not representative of future yield and includes special dividends where known.

² AIM/NEX listed.

³ Bermuda Stock Exchange listed.

⁴ TISE listed.

Portfolio as at 31 May 2020



Source: Thomson Reuters.

The LSE assigns all UK-quoted companies to an industrial sector and frequently to a stock market index. The LSE also assigns industrial sectors to many international quoted equities as well, and those that have not been classified by the LSE have been assigned as though they had. The portfolio as at 31 May 2020 is set out in some detail on page 14, in line with that included in the Balance Sheet. The income from investments above comprises all of the income from the portfolio as included in the Income Statement for the year. The AIM and NEX markets are both UK exchanges specifically set up to meet the requirements of smaller listed companies.

The first two bars above determine the overall sector weightings of the Company's capital at the end of the year and with regard to the income received by the Company over the year. The second pair of bars determines the LSE stock market index within which portfolio companies sit and the indices that derive the income received by the Company over the year.

Investments for the Company's portfolio are principally selected on their individual merits. As the portfolio evolves, the Manager continuously reviews the portfolio's overall sector and index balance to ensure that it remains in line with the underlying conviction of the Manager. The Investment Policy is set out on pages 89 and 90 and details regarding risk diversification and other policies are set out on pages 82 to 86.

A Summary of the Total Costs Involved in Managing Diverse

Investment trusts differ from some other forms of collective funds in that they are set up as independent corporations with their operations overseen by a board that is separate from and independent of the fund management group that manages the capital. In addition, they are listed, with their shares traded on an approved exchange – which, in our case, is the LSE.

Running costs are deducted from the total assets of the Company on a pro-forma basis so the NAV published each day is expressed after costs. The figures below are the costs paid by the Company over the year under review and are expressed as a percentage of the average asset value of the Company over the year to 31 May 2020 of £346,694,000 (year to 31 May 2019: £374,922,000).

	2020 %	2019 %
Fund management fees ¹	0.86	0.96
Administration costs, including Company Secretarial fees	0.04	0.03
Directors/Auditor/Depository/Registrar/Custodian and Stockbroker fees	0.12	0.11
All other direct costs, including VAT on the fees above, plus marketing, legal, printing, insurance and bank charges	0.07	0.06
Ongoing charges	1.09	1.16

In addition, the Company also pays transaction charges that are levied when shares are bought or sold in the portfolio. These are dealing commissions paid to stockbrokers and stamp duty, a Government tax paid on transactions (which is zero when dealing on the AIM/NEX exchanges).

	2020 %	2019 %
Costs paid in dealing commissions	0.05	0.05
Stamp duty, a Government tax on transactions	0.14	0.08
Overall costs including charges on transactions ²	1.28	1.29

The overall costs of the Company for the period were 1.28%. Despite a loss during the year, this compares with the Company's average NAV total return since issue of 10.38% per annum (after the deduction of costs).

¹ Fund management fees are tiered and calculated based on the share price, so may vary in each year. With effect from 1 August 2019, the Manager received a management fee of 0.9% per annum on the adjusted market capitalisation of the Company up to £300m, 0.8% per annum on the average market capitalisation between £300m and £500m and 0.7% per annum on the average market capitalisation above £500m.

² Transactions conducted by the Company also involve some loss of value due to the dealing spread in stock exchange prices. Spreads range from less than 1% in the most actively traded large cap stocks to more than 3% in the smallest, most infrequently traded stocks. The exact loss of value is difficult to determine precisely, but is normally less than half of the dealing spread at the time of the transaction. In a large percentage of the transactions, especially in the smallest stocks, the stock is passed through from sizeable seller to sizeable buyer on a 'put through' basis with potentially no loss of value through the spread. During the year under review, this cost is believed to be very modest in comparison to the NAV.

Business Model

Diverse was launched on 28 April 2011. It is registered in England as a public limited company and is an investment company in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006.

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 ("S1158/1159"). The Directors do not envisage any change in this activity in the foreseeable future.

The Company has been granted approval from HM Revenue & Customs ("HMRC") as an investment trust under S1158/1159 and will continue to be treated as an investment trust company, subject to there being no serious breaches of the conditions for approval.

The principal conditions that must be met for continuing approval by HMRC as an investment trust are that the Company's business should consist of "investing in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results" and the Company may only retain 15% of its investment income without distributing it as dividend payments. The Company must also not be a close company. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 May 2020 so as to be able to continue to qualify as an investment trust.

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.

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 full investment policy is set out on pages 89 and 90 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 UK-quoted or traded 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. Currently, the Company's entire portfolio is invested in publicly listed stocks.

The Manager adopts 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.

At the Annual General Meeting ("AGM") held on 9 October 2019, shareholders approved a change to the Company's investment policy to increase the minimum and maximum number of securities that may be held in the portfolio.

Principal Risks and Uncertainties

The Company is exposed to a variety of risks and uncertainties that could cause its asset price or the income from the investment portfolio to reduce, possibly by a sizeable percentage in the most adverse circumstances. The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the emerging and principal risks facing the Company, together with a review of any new risks which may have arisen during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formalised within the Company's risk matrix. Information regarding the Company's internal control

and risk management procedures can be found in the Corporate Governance Statement on pages 38 and 39. Whilst reviewing the principal risks and uncertainties, the Board was cognisant of the risks posed by the COVID-19 pandemic.

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 19 to the financial statements.

The Board has also identified the following principal risks and uncertainties:

Risk	Mitigation
Investment and strategy	
There can be no guarantee that the investment objective of the Company will be achieved.	The Manager has in place a dedicated investment management process which is designed to maximise the chances of the investment objective being achieved. The Board reviews regular investment and financial reports from the Manager to monitor this.
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).	
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 operate over a narrower range of products, 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 less liquid. Prices of individual smaller capitalisation stocks could be 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 Board looks to mitigate this risk by ensuring the Company holds a spread of investments, achieved through limiting the size of new holdings at the time of investment to typically between 1% and 1.5% of the portfolio. All potential investee companies are researched by the Manager prior to investment.

Risk	Mitigation
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 attractive returns by investing in weightings that are different from the overall market, yet also seeks to ensure that individual variances are not so extreme as to leave shareholders at risk of portfolio volatility that is unreasonably poor. Even though there may be significant exposures to a single sector, this will be achieved by holding a number of different stocks in the portfolio.
Dividends The Company's investment objective includes the aim of providing shareholders with an attractive and growing dividend. 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. The pandemic has caused the Trust's dividend income to drop but there remain sufficient reserves for the Trust to maintain its dividend policy.
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.	The Company has in place an annual redemption facility whereby shareholders can voluntarily tender their shares. The Board monitors the relationship between the share price and the NAV. The Company has taken powers to re-purchase shares should there be a sustained imbalance in the supply and demand leading to a discount. The Company has powers to issue shares (only at a premium to NAV) should there be good investment opportunities and the size of the Company has not become too large to continue to meet its objectives. The pandemic has impacted the volatility of the shares of the Trust, along with other quoted shares.

Principal Risks and Uncertainties continued

Risk	Mitigation
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 a revolving loan facility in place, as detailed in note 5 to the financial statements. At 31 May 2020, the facility was undrawn. The Company is limited to a maximum gearing of 15% of the net assets. There was no gearing as at 31 May 2020 (2019: nil).
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.	The Company is managed by a team of two at Premier Miton, Gervais Williams and Martin Turner, and this moderates the key man risk were one or the other to leave Premier Miton's employment. Furthermore, the Company may 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.

Risk	Mitigation
Engagement of third party service providers 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 Company operates through a series of contractual relationships with its service providers. These contracts, supported by service level agreements where appropriate, set out the terms on which a service is to be provided to the Company. The Board reviews performance of all the service providers both in the Board meetings and in the Management Engagement Committee meetings, where the terms on which the service providers are engaged are also reviewed. The Board also receives assurance or internal controls reports from key service providers. In addition, the contracts provide the Company with protection in the event of failure to perform by a service provider. The Board considered the impact of the pandemic on each of the service providers, including the Manager, and found them all to be operating effectively.

Share Capital

Share Issues

At the AGM held on 9 October 2019, the Directors were granted authority to allot ordinary shares up to an aggregate nominal amount of £37,828 (being approximately 10% of the issued ordinary share capital). This authority is due to expire at the Company's AGM on 14 October 2020.

The Company has a block listing of ordinary shares to be listed to the premium segment of the Official List of the FCA and admitted to trading on the premium segment of the LSE's main market. During the year ended 31 May 2020, no ordinary shares were issued.

As at the year end and the date of this Report, a further 9,999,999 shares remain under the block listing.

Proposals for renewal of the Directors' authority to issue shares are set out on page 31.

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 the AGM held on 9 October 2019, the Directors were granted the authority to buy back up to 56,705,528 ordinary shares. No ordinary shares have been bought back under this authority. The authority will expire at the next AGM when a resolution for its renewal will be proposed (see page 32 for further information). Any shares bought back under this authority will not be sold from treasury at a price lower than the prevailing NAV at that time.

Treasury Shares

Shares bought back by the Company may be held in treasury, from where they could be re-issued at a premium to NAV 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 year or since the year end.

Share Redemptions

Valid redemption requests were received under the Company's redemption facility for the 29 May 2020 Redemption Point in relation to 20,243,942 ordinary shares, representing 5.351% of the issued share capital. These shares were redeemed and cancelled by the Company with effect from 12 June 2020. All shareholders who validly applied to have shares redeemed received a calculated Redemption Price of 89.76p per share.

Current Share Capital

As at the year end, there were 378,289,047 ordinary shares and 50,000 management shares (see note 9 to the financial statements) in issue.

Subsequent to the year end, 20,243,942 ordinary shares were redeemed and cancelled in respect of the 29 May 2020 Redemption Point. As at the date of this Report, there were therefore 358,045,105 ordinary shares in issue.

Stakeholder Engagement

Background

Directors have a duty to make decisions that promote the success of a company for the benefit of shareholders as a whole. This responsibility is formally enshrined in section 172 of the Companies Act 2006, which stipulates that board decisions must be made with the long-term consequences of those decisions in mind, including consideration of the interests of a company's employees, suppliers, customers and other stakeholders, the impact on the community and the environment, and the desirability of maintaining a reputation for high standards of business conduct.

Stakeholders

As an investment trust, the Company does not have any employees or customers. Although the Company does have a number of contracts with service providers including with the Manager, the Company Secretary, the stockbrokers, and the depositary, it has very few suppliers with the principal exception of a number of banks in relation to the Company's bank accounts. In meeting its responsibilities under the Companies Act 2006, the Board makes decisions to promote the success of the Company for the benefit of its shareholders as a whole, in the knowledge that the efficient allocation of capital delivers results for all stakeholders. Successful companies not only generate a return for their investors, but also often create employment, contribute to improved domestic growth and generate additional tax revenues for the government. The Board recognises that effective capital allocation should take account of the Company's responsibilities to the environment in the context of the emerging climate change agenda as well as to the wider community. As such, the Company always strives to meet regulators' requirements. The following section discusses how the actions taken by and on behalf of the Company work towards ensuring that the interests of all stakeholders are appropriately considered and how those with concerns can most effectively bring them to the attention of the Board. In line with the FRC Guidance in relation to section 172(1) statements, this statement focuses on stakeholders

that are considered key to the Company's business and therefore does not cover every stakeholder in the Company.

Shareholders

The Board is committed to maintaining open channels of communication and to engaging with shareholders in a manner which they find most meaningful, in order to ensure that decisions are taken with the views of shareholders in mind. These include:

Annual General Meeting – Whilst the Company welcomes and encourages attendance and participation from shareholders at the AGM, in view of specific restrictions this year in relation to COVID-19, attendance at the AGM is likely to be, exceptionally, severely restricted. Under normal circumstances, shareholders have the opportunity to meet the Directors and the Manager (Premier Portfolio Managers Limited) and to address questions to them directly. There is typically a presentation on the Company's performance and on the future outlook which this year will be made available on the Company's website ahead of the AGM and no presentation will be held during the meeting;

Shareholder meetings – Unlike trading companies, shareholders in investment companies often meet with the investment manager rather than with members of the board. Shareholders are able to meet the Manager throughout the period and the Manager provides information on the Company and its performance on the Company's website and via various social medial channels. Feedback from numerous meetings between the Manager and shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Manager, the Chairman seeks meetings with shareholders who might wish to meet with him;

Stakeholder Engagement continued

Publications – The Annual Report and Half-Year results are made available on the Company's website and are circulated to those shareholders requesting hard copies. These reports are designed to provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by a monthly factsheet which is available on the website. Feedback and/or questions the Company receives from shareholders help its reporting to evolve, the aim being to render the reports and updates transparent and understandable;

Shareholder concerns – In the event that shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. The Senior Independent Director and other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels; and

Investor relations updates – At every Board meeting, the Directors receive updates from the Company's brokers, Panmure Gordon, and from the Company Secretary on share trading activity, share price performance, the Company's share register and investor relations.

Manager

Maintaining a close and constructive working relationship with the Manager is crucial to the Board. The Manager's performance is critical for the Company to achieve positive and consistent long-term returns in line with its investment objectives. The Board meets the Manager on a regular basis, both during and outside formal Board meetings, and receives and discusses reports and updates with the Manager when appropriate. Further details on the relationship with the Manager can be found on page 36.

Suppliers

The Company relies on a diverse range of reputable advisors for support in meeting its obligations. The Board maintains regular contact with its key external providers, namely the Administrator, the Company Secretary, the Registrar, the Custodian

and the Broker, and receives regular reporting from them. Their advice, as well as their needs and views, are regularly taken into account. The Management Engagement Committee formally assesses the performance of third party suppliers, their fees and continuing appointment on an annual basis, to ensure both that these key service providers continue to function at an acceptable level and that they are appropriately remunerated to deliver the expected level of service. The Audit Committee reviews and evaluates the financial reporting control environments in place at key service providers.

Regulators

The Company can only operate with the approval of its regulators, who have a legitimate interest in how the Company operates in the market and treats its investors and shareholders. The Company regularly considers the control environment in place to ensure that it meets its various regulatory and statutory obligations.

Environment and Community

Given the outsourced nature of the Company's operations, the Company has very little direct impact on the community or the environment. However, the Manager recognises that it can influence an investee company's approach to Environmental, Social and Governance ("ESG") matters and discusses ESG matters with investee companies on a regular basis. Further information about the Company's approach to environmental, human rights, social and community issues is set out on page 26.

These mechanisms for engaging with stakeholders are kept under review by the Directors and are discussed on a regular basis at Board meetings to ensure that they remain effective. Should the shareholders and other stakeholders of the Company wish to contact the Chairman, they can do so by contacting the registered office of the Company or by sending an email for the attention of the Chairman at diverse_cosec@linkgroup.co.uk.

Management, Social, Environmental and Diversity Matters

Management Arrangements

The Company appointed Premier Portfolio Managers Limited ("PPM" or the "Manager") as its Alternative Investment Fund Manager ("AIFM") and its Manager, following the novation of the Appointment of Manager agreement on 24 April 2020. PPM has been approved as an AIFM by the UK's FCA.

The Manager receives a management fee of 0.9% per annum on the average market capitalisation of the Company up to £300m and 0.8% per annum on the average market capitalisation between £300m and £500m and 0.7% per annum on the average market capitalisation above £500m.

In addition to the basic management fee, and for so long as a Redemption Pool (see page 88 for details) is in existence, the Manager is entitled to receive from the Company a fee calculated at the rate of one-twelfth of 1.0% per calendar month of the NAV 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. 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.

The Board appointed Bank of New York Mellon as its Depositary and Custodian under an agreement dated 22 July 2014. The annual fee for depositary services due to Bank of New York Mellon is 0.02% of gross assets, subject to a minimum fee of £15,000 per annum. The Company and the Depositary may terminate the Depositary Agreement with three months' written notice.

Company secretarial and administrative services are provided by Link Alternative Fund Administrators Limited, under an agreement dated 7 April 2011. This agreement may be terminated by 12 months' written notice subject to provisions for earlier termination as provided therein.

Management, Social, Environmental and Diversity Matters continued

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 the Manager 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 also believe that by paying the 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.

Environmental, Human Rights, Employee, Social and Community Issues

Since the Company does not have any employees, the day-to-day management of these areas is delegated to the Manager. As an investment trust, the Company has no direct impact on the community or the environment, and as such has no environmental, human rights, social or community policies.

Environmental, Social and Governance ("ESG")

factors are central to the investment process as misjudgements on these matters can incur major additional costs to the portfolio holdings, as well as undermining their equity return through reputational damage. In company meetings, the Manager routinely questions the corporate management on a variety of topics, such as safety records and the make-up of their board papers, to ensure companies are adhering to best practice. These questions can be quite wide ranging. For example, the Manager has raised issues ranging from the use of antibiotics in livestock, to how individual companies monitor the working conditions in the overseas plants of their suppliers.

Gender Diversity

The Board of Directors of the Company comprises two female and four male Directors.

The Company's Diversity Policy acknowledges the benefits of greater diversity, including gender diversity, and the Board remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. Details of the Company's Diversity Policy are set out on pages 33 and 34.

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

On behalf of the Board

Michael Wrobel
Chairman
17 August 2020



Directors (all non-executive)



Michael Wrobel (Chairman of the Board)

Michael Wrobel has over 30 years' experience in the investment industry. He is the non-executive chair of Civitas Social Housing plc. He serves as chairman of the trustee board for the Deutsche Bank UK Pension Funds and as a trustee director of the BAT UK Pension Fund. Michael was formerly a director of Fidelity International, Gartmore Investment Management plc and Head of Investment Trusts at F&C Asset Management. He was previously a portfolio manager at Fidelity and Morgan Grenfell and an independent investment adviser to a number of Rio Tinto pension schemes. He served as a non-executive director of a number of investment trusts and trade associations. Michael has an M.A. in Economics from Cambridge University. Appointed as a Director and Chairman on 30 March 2011.



Andrew Bell (Senior Independent Director)

Andrew Bell has a depth of experience both as a non-executive director of investment trusts and in the role of chairman. He is currently a director and the CEO of Witan Investment Trust plc. Prior to this, his experience included positions at Barclays de Zoete Wedd and Credit Suisse First Boston, and Carr Sheppards Crosthwaite where he spent 10 years as head of research and strategy. Andrew was previously a non-executive director of Henderson High Income Trust plc, Framlington Innovative Growth Trust plc, where he also chaired the audit committee for a period, and Gabelli Value Plus+ Trust plc, where he was chairman from its launch in 2015 to 2018. Andrew was also a director of The Association of Investment Companies from 2005 to 2015 and held the position of chairman for the last two years of his appointment. Appointed as a Director on 1 January 2019.



Paul Craig

Paul Craig is a portfolio manager at Old Mutual Global Investors. Paul has over 20 years of investment experience, including 10 years at Exeter Investment Group, six years at New Star Asset Management, where he was a director of the asset management subsidiary, and six years as a director of Multi-Manager at Henderson Global Investors. During the past 18 years, Paul's focus has been multi-manager products with an emphasis on closed-ended funds. Paul is a non-executive director of Ground Rents Income Fund plc, Hadrian's Wall Secured Investments Limited and Impact Healthcare REIT plc, and an Associate of the UK Society for Investment Professionals. Appointed as a Director on 30 March 2011.



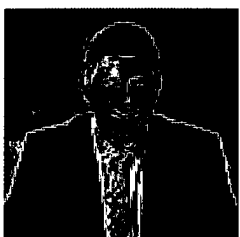
Caroline Kemsley-Pein (Chairman of the Management Engagement Committee)

Caroline Kemsley-Pein is a qualified solicitor and has been advising corporate clients for over 30 years. She is principal of Kemsley & Company, a specialist corporate and commercial solicitors' practice. Caroline has extensive experience of mergers, acquisitions and disposals of companies and businesses within the UK market, shareholder and joint venture arrangements, corporate restructuring and complex contractual arrangements. Appointed as a Director on 1 January 2019.



Michelle McGrade

Michelle McGrade has a depth of experience as a non-executive director and in advisory and consultancy roles. She has broad experience across the investment management industry, including asset management and private wealth. Michelle is currently a non-executive director of M&G Securities Ltd and advisor to the Investment Committee of the Sainsbury's Pension Scheme. She also carries out independent consultancy work focusing primarily on making investing understandable to the general public. In addition, Michelle was previously Chief Investment Officer of Virgin Money and Chief Investment Officer of TD Direct Investing (Europe), where she was also an executive committee member and Chair of the Investment Committee. Appointed as a Director on 10 October 2019.



Calum Thomson (Chairman of the Audit Committee)

Calum Thomson is a qualified accountant with over 27 years' experience in the financial services industry. For 21 years, he was an audit partner at Deloitte LLP, specialising in the asset management sector, with clients including a wide range of managers, investment trusts, banks, sovereign wealth funds, large charities and private equity funds. During his career, Calum has led Deloitte LLP's global and UK asset management groups. He is chairman of the audit committee and a non-executive director of Bank of London and the Middle East plc, BLME Holdings plc, AVI Global Trust plc, Baring Emerging Europe plc and Standard Life Private Equity Trust plc. Appointed as a Director on 20 December 2016.

Report of the Directors

The Directors present their report and the financial statements for the year ended 31 May 2020.

Directors

The Directors in office at the date of this report are shown on page 27.

Jane Tufnell resigned as a Director on 9 October 2019.

Michelle McGrade was appointed as Director of the Company on 10 October 2019 and will stand for election at the forthcoming AGM in accordance with the Company's Articles of Association and the AIC Code of Corporate Governance.

Michael Wrobel will retire from the Board following the conclusion of the forthcoming AGM. As explained in the Chairman's Statement on page 5, Andrew Bell will succeed him as Chairman of the Board, following which Calum Thomson will be appointed as Senior Independent Director.

In accordance with the policy adopted by the Board, all the other Directors will stand for re-election at the forthcoming AGM.

None of the Directors or any persons connected with them had a material interest in the transactions and arrangements of, or the agreement with, the Manager during the year.

Substantial Shareholdings

The Directors have been informed of the following notifiable interests in the Company's voting rights as at 31 May 2020:

	Number of ordinary shares	% of voting rights
M&G	44,606,236	11.79
Investec Wealth & Investment Limited	28,871,227	7.52
Smith & Williamson Holdings Limited	24,073,657	6.27
Old Mutual Plc	22,678,573	5.91
Brewin Dolphin Plc	19,225,322	5.01
Merseyside Pension Fund	17,618,000	4.59

Between 31 May 2020 and the date of this Report, the Directors have been notified by M&G that its interest had increased to 42,934,172 shares, representing 11.99% of the total voting rights on 15 July 2020.

Results and Dividends

A summary of the Company's performance during the year and the outlook for the forthcoming year is set out in the Strategic Report on pages 3 to 26.

A final dividend of 1.05p is recommended. The dividends paid or payable in respect of the year ended 31 May 2020 are set out in the Strategic Report on page 3.

Financial Risk Management

The principal financial risks and the Company's policies for managing these risks are set out in note 19 to the financial statements.

Corporate Governance

The Corporate Governance Statement on pages 33 to 39 forms part of the Report of the Directors.

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 business and assets of the Company and its subsidiary ("the Group"), the Directors consider that the Group 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 Group's ability to meet obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved.

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

Viability Statement

The Directors have assessed the viability of the Company over a three-year period, taking account of the Company's position and the risks as set out in the Strategic Report. The period assessed balances the long-term aims of the Company, the Board's view that the success of the Company is best assessed over a longer time period and the inherent uncertainty of looking out for too long a period. The present pandemic has demonstrated the short term volatility of the stock markets and as a result the board consider it appropriate to continue to review the viability of the company over a three year time period which balances the long term nature of investing against the short term liquidity of the investments.

As part of its assessment of the viability of the Company, the Board has considered the emerging and principal risks and uncertainties and the impact on the Company's portfolio of a significant fall in UK markets. The Directors do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place over the period of this assessment.

To provide this assessment, the Board has considered the Company's financial position and its ability to liquidate its portfolio to meet its expenses or other liabilities as they fall due:

- The Company invests largely in companies listed and traded on stock exchanges. These are actively traded, and whilst perhaps less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector.
- The expenses of the Company are predictable and modest in comparison with the assets in the portfolio. There are no commitments that would change that position.
- The Company has an annual redemption facility whereby shareholders may request that their shares are redeemed at NAV. The Board has considered the possibility that shareholders holding a significant percentage

of the Company's shares request redemption. Firstly, the Board has flexibility over the method of redemption so as to avoid disruption to the overall operation of the Company in this situation. Secondly, the Company's investments comprise readily realisable securities which can be sold to meet funding requirements if necessary. The most significant of the Company's expenses vary in proportion to the size of the Company.

In addition to considering the emerging and principal risks on pages 18 to 21 and the financial position of the Company as described above, the Board has also considered the following factors:

- the continuing relevance of the Company's investment objective in the current environment;
- the level of demand for the Company's shares and that since launch, the Company has been able to issue further shares;
- the gearing policy of the Company; and
- that regulation will not increase to such an extent that the costs of running the Company become uneconomical.

The Board has reviewed the influence of the COVID-19 pandemic on its service providers and is satisfied with the ongoing services provided to the Company.

Accordingly, the Directors have formed the reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Company Culture

The Company's defined purpose is to deliver our investment objective: to pay shareholders a good and growing dividend income. The Directors believe that this will be facilitated by establishing and maintaining a healthy corporate culture among the Board and in its interaction with the Investment Manager, shareholders and other stakeholders.

Report of the Directors continued

The Board strives for its culture to be in line with the Company's purpose, values and strategy. Whilst ensuring that it does not conflict with the investment objective, the Board aims to structure the Company's operations in such a manner that it takes all its stakeholders and the impact of the Company's operations on the environment and community into account.

In addition, the Board promotes and monitors the effective management or mitigation of the risks faced by the Company.

As the Company has no employees and acts through its Board and service providers, its culture is represented by the values and behaviour of those parties. Accordingly, the Board assesses and takes account of the organisational effectiveness of its service providers (including "soft" factors such as openness and team work) as well as their regulatory compliance. The Board is responsible for ensuring that the Company's culture is embedded in its day to day operations and it has adopted a number of policies and practices to facilitate this. In recognition of the Company's corporate and social responsibilities and to safeguard the Company's interests, the Board engages with the Company's service providers and other stakeholders. As part of this ongoing monitoring, the board receives reports from its service providers with respect to their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; equal opportunities and diversity policies; and greenhouse gas and energy use reporting.

Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations (2019: none), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying investment portfolio.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

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/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Ernst & Young LLP will not seek re-appointment when its term of office expires at the end of the AGM, for the reasons set out in the Report from the Audit Committee on page 42. Following a tender and on the recommendation of the Audit Committee, the Board intends to appoint BDO LLP as the Company's Auditor. Accordingly, resolutions to appoint BDO LLP and to authorise the Audit Committee to agree its remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The Notice of the AGM to be held on 14 October 2020 (the "Notice") is set out on pages 93 to 98.

The stated intention is to hold this at the offices of Premier Miton, Eastgate Court, High Street, Guildford, GU1 3DE. However, due to the continuing COVID-19 pandemic at the date of this report it is uncertain whether, under Government guidance, larger gatherings will be permitted on the date of the AGM. New legislation set out in Schedule 14 of the Corporate Insolvency and Governance Act, contains temporary provisions regarding AGM arrangements and it is currently uncertain whether these temporary provisions will be extended past 30 September 2020. The Company is

making provisions for all eventualities and will keep shareholders updated on any material developments in the usual way, via RNS. The Company understands the importance of the AGM to shareholders and the Board values the opportunity to meet shareholders in person. However, the health and safety of our shareholders and the broader community is of paramount importance.

In the light of the uncertainties surrounding the ongoing pandemic and related safety issues, the Company recommends that Shareholders carefully consider whether it is appropriate to attend the meeting in person. If necessary in line with Government guidelines, attendance of shareholders may be restricted or prohibited. Shareholders are encouraged to submit their vote electronically or to appoint the Chairman as their proxy with their voting instructions. All valid proxy votes, whether submitted electronically or in hard copy form, will be included in the polls to be taken at the Meeting.

The AGM will end immediately following the formal business and there will be no Company presentation or Q&A session during the meeting. The Company is taking these precautionary measures to safeguard its shareholders' health and that of the Board and its advisors, and to make the AGM as safe and efficient as possible. Shareholders can pose questions to the Board and/or Investment Manager through emailing diverse_cosec@linkgroup.co.uk. Responses to any questions received by 6 October 2020 will be provided on the Company's website: www.mitongroup.com/dit before 12 October 2020.

Shareholders are being asked to vote on various items of business, being:

- the receipt and adoption of the Strategic Report, the Reports of the Directors and Auditor and the audited financial statements for the year ended 31 May 2020;
- the receipt and approval of the Directors' Remuneration Report and the Directors' Remuneration Policy;

- the election/re-election of Directors;
- the appointment of BDO LLP as Auditor and the authorisation of the Audit Committee to determine the remuneration of the Auditor;
- the approval of a final dividend;
- 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 days' notice.

Resolutions 1 to 12 will be proposed as ordinary resolutions and Resolutions 13 to 15 will be proposed as special resolutions.

Authority to Issue Shares and Disapplication of Pre-emption Rights

An ordinary resolution to authorise the Directors to allot ordinary shares up to an aggregate nominal amount of £35,804, equal to approximately 10% of the Company's issued ordinary share capital, will be proposed as Resolution 12.

Resolution 13, a special resolution, is being proposed to authorise the Directors to issue ordinary shares for cash and to disapply the pre-emption rights of existing shareholders in relation to issues of ordinary shares under Resolution 12 (being in respect of up to 10% of the Company's issued share capital as at the date of the Notice). Shares would only be issued at a price at or above the prevailing NAV per share.

As at the date of the Notice, the Company holds no shares in treasury.

Report of the Directors continued

These authorities, if approved by shareholders, will expire at the AGM to be held in 2021, 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 14, 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 NAV at which the ordinary shares trade. Ordinary shares will be repurchased only at prices below the NAV per ordinary share, which should have the effect of increasing the NAV per ordinary share for remaining shareholders. This authority will expire at the AGM to be held in 2021 when a resolution to renew the authority will be proposed.

Notice Period for General Meetings

Resolution 15 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 AGM to be held in 2021, 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 AGM 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.

Each of the resolutions to be considered at the AGM will be voted on by way of a poll. This ensures that, if shareholders are unable to attend the AGM but have appointed proxies, their votes are taken into account. The results of the polls will be announced to the London Stock Exchange and published on the Company's website as soon as possible after the conclusion of the AGM.

By order of the Board


for and on behalf of

Link Alternative Fund Administrators Limited
Secretary
17 August 2020

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 Group's affairs.

Statement of Compliance

The Board of Diverse has considered the principles and recommendations of the AIC Code of Corporate Governance for Investment Companies ("AIC Code") published in February 2019. The AIC Code 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 provides better information to shareholders.

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

A copy of the AIC Code 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 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.

The Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are

outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. 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.

Under the leadership of the Chairman, the Board is responsible for all matters of direction and control of the Company and its subsidiary, 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 27.

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 AGM.

The Board has adopted a Diversity Policy, which acknowledges the benefits of greater diversity, including gender and ethnic diversity, and remains committed to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. Whilst the Board does not feel that it would be appropriate to set targets as all appointments are made on merit, the following objectives for the appointment of Directors have been established:

- all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential non-executive Directors should include diverse candidates of appropriate merit.

Corporate Governance Statement continued

Michelle McGrade was appointed as a Director on 10 October 2019. Nurole, an independent external search consultancy, was engaged to assist with the search for candidates. The search specification included the requirements for experience at an investment management firm and knowledge of investment trusts. From a long list of potential candidates, giving due consideration to the Company's Diversity Policy, a number were selected for interviews by the Directors and also met with the Manager. Following this process, Michelle McGrade was appointed to the Board, being the strongest candidate with relevant skills, experience and knowledge.

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 also have the opportunity of meeting with the Chairman and relevant persons at the Manager.

Chairman

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He promotes a culture of openness and debate and facilitates constructive Board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information.

The current Chairman, Michael Wrobel, is deemed by his fellow independent Board members to be independent and to have no conflicting relationships. Mr Wrobel considers himself to have sufficient time to commit to the Company's affairs. Following Michael Wrobel's retirement from the Board at the forthcoming AGM, Andrew Bell will succeed him as the Chairman of the Board. Andrew had been identified as a potential Chairman-elect during the recruitment process which took place in 2018, ahead of his appointment with effect of 1 January 2019. Following consideration of Andrew's performance as non-executive Director of the Company, his experience, background and skills, as well as his other commitments, the Board came to

the view that he would be a suitable successor for Michael Wrobel as Chairman of the Board. Andrew considers himself to have sufficient time to commit to the Company's affairs.

Senior Independent Director

Andrew Bell is the Senior Independent Director of the Company. He provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the independent Directors. In the event the Company experiences a period of stress, the Senior Independent Director would work with the Chairman, the other Directors and/or shareholders to resolve any issues. Mr Thomson will assume the role of Senior Independent Director when Mr Bell succeeds Mr Wrobel as Chairman of the Board following the forthcoming AGM.

The role and responsibilities of the Chairman and the Senior Independent Director are clearly defined and set out in writing, copies of which are available on the Company's website.

Board Operation

The Directors meet at regular Board meetings, held at least four times a year, with additional meetings arranged as necessary. During the year to 31 May 2020, the number of Board and Committee meetings attended by each Director were as follows:

	Scheduled Board meetings		Audit Committee meetings		Management Engagement Committee meetings	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Michael Wrobel	4	4	2	2	1	1
Andrew Bell	4	4	2	2	1	1
Paul Craig	4	4	–	–	–	–
Caroline Kemsley-Pein	4	4	2	2	1	1
Michelle McGrade ¹	2	2	1	1	1	1
Calum Thomson	4	4	2	2	1	1
Jane Tufnell ²	2	2	1	1	1	1

No meeting of the Disclosure Committee was held during the year.

¹ Appointed as a Director and as a member of the Audit Committee and Management Engagement Committee on 10 October 2019.

² Resigned as a Director on 9 October 2019.

During the months of March and April 2020, the Board held additional calls to receive updates from the Manager on the performance of the Company and its portfolio in the light of the COVID-19 pandemic and to discuss any matters relating to the pandemic and its effect on the Company and its service providers.

Additional Board meetings were also held during the year in relation to Directors' remuneration, succession planning, approval of novation documents following the Premier Miton merger and the annual redemption facility.

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. Andrew Bell, as the Senior Independent Director, led the appraisal of the Chairman.

As a result of the evaluation, the Board considers that all of the current Directors contribute effectively and have the skills and experience relevant to the future leadership and direction of the Company. During the performance evaluation, each Director's continued commitment to their responsibilities and their ability to devote the necessary time and effort to understand the Company's activities, objectives and risks was assessed. All Directors were deemed to demonstrate sufficient commitment and to devote sufficient time to their responsibilities. The Board acknowledges that some of its Directors have a number of external appointments and this is kept under close review. The majority of these appointments are non-executive positions at investment trusts and as the Directors are seen to be responsive and demonstrate that they have sufficient time to fulfill their obligations to the Company, the Board welcomes the experience that these external appointments bring. The Board therefore believes that it is in the best interests of shareholders that each of the Directors is elected/re-elected.

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.

Corporate Governance Statement continued

Paul Craig is an employee of Old Mutual Global Investors Limited, a substantial shareholder of the Company. The Directors have considered Mr Craig's independence both in the light of this employment as well as the length of his tenure as a Director of the Company. 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. Whereas the Board does not consider that a Director's tenure necessarily reduces his or her ability to act independently, phased refreshment of the Board is ongoing. 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.

Election/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 AGM following their appointment. Thereafter, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGMs. This is in line with the recommendations of the AIC Code. The maximum length of service for any Director, including the Chairman, will be nine years following first election.

Board Responsibilities and Relationship with the 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. This schedule is reviewed regularly and is made available on the Company's website.

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 Group's assets has been delegated to the Manager 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 Secretary. The 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 the Company's 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 Group. A formal system is in place 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 three Committees in operation, the Audit Committee, the Management Engagement Committee and the Disclosure 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 Board, excluding Messrs Bell and Wrobel, met on three occasions since the period end to discuss Mr Wrobel's succession by Mr Bell.

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

Audit Committee

The Audit Committee comprises all Directors except Paul Craig and is chaired by Calum Thomson. Michael Wrobel, the Company's Chairman, is a member of the Audit Committee but does not chair it. His membership of the Audit Committee is considered appropriate given the small size of the Board and the Chairman's knowledge of the financial services industry. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee and competence relevant to the investment trust sector. Mr Thomson is a qualified accountant with over 25 years' experience in the financial services industry.

A Report from the Chairman of the Audit Committee is set out on pages 40 to 42.

Management Engagement Committee

The Management Engagement Committee comprises all the Directors except Paul Craig. The Committee was chaired by Michael Wrobel on an interim basis from 1 January 2019 to 22 July 2019, after which Andrew Bell chaired the Committee. Caroline Kemsley-Pein was appointed as chair of the Committee with effect from 19 October 2019. 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 met once during the year to consider the performance of the Manager and other service providers over the preceding financial period.

In reaching its recommendation to the Board about the continuing appointment of the Manager, the Committee's deliberations include consideration of the fee basis for other companies in the peer group, the performance of the Company against its peer group, the share volatility against that of other companies in the peer group and shareholder feedback (see Continuing Appointment of the Manager on page 26).

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

Disclosure Committee

The Disclosure Committee comprises all the Directors and ensures inside information is identified and disclosed, if necessary, in accordance with the Market Abuse Regulation. No meetings of the Committee were held during the year.

Stewardship Responsibilities and the Use of Voting Rights

The Board delegates the day-to-day responsibilities regarding the engagement with investee companies to the Company's Manager. However, the Board retains oversight of this process through regular updates from the Manager on its engagement activities, and by reviewing the Manager's stewardship and voting policies.

PPM engages with the Company's underlying investee companies on all areas of ESG with particular focus on governance. It is becoming ever more prominent that companies that do not display good governance may struggle to access capital in the future, especially at the smaller end of the market cap spectrum. Two areas of focus have been board composition and remuneration to ensure that boards include members who are suitably qualified and management are being appropriately rewarded for their successes.

Corporate Governance Statement continued

Concerning voting, the managers use the independent proxy voting service Institutional Shareholder Service ("ISS") to provide them with research on the proposed resolutions for each investee company. However, they use them in a research capacity only; the final decisions are always taken on an active basis having considered the merits of each on a case-by-case basis.

Company Secretary

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

Internal Control Review

The Directors are responsible for the risk management and systems of internal control relating to the Company and its subsidiary, and the reliability of the financial reporting process and for reviewing their effectiveness.

The Directors have reviewed and considered the guidance supplied by the FRC on Risk Management, Internal Control, and Related Finance and Business Reporting and an ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group. This process, which is regularly reviewed, together with key procedures established with a view to providing effective financial control, was in place during the year under review and 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 Group's risk management and internal control systems as they have operated over the period and up to the date of approval of the report and financial statements. There were no matters arising from this review that required further investigation and no significant failings or weakness were identified.

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 matrix is reviewed twice a year by the Audit Committee and at other times as necessary.

The emerging and principal risks that have been identified by the Board are set out on pages 18 to 21.

The Board reviews financial information produced by the Manager and the Administrator 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, together with letters of comfort confirming that those controls were still in operation at the Company's year end.

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, Panmure Gordon, 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. The Chairman and the other Directors are available to attend these meetings with shareholders if required.

In normal circumstances, all shareholders are encouraged to attend and vote at the AGM, during which the Board and the Manager would normally be available to discuss issues affecting the Company and answer any questions. These arrangements are likely to be subject to change this year, in the light of the current restrictions relating to the COVID-19 pandemic. Please refer to pages 30 and 31 and the AGM notice on pages 93 to 98 for further details. Shareholders wishing to communicate directly with the Board or to lodge a question in advance of the AGM should contact the Secretary at the address on page 104 or by emailing diverse_cosec@linkgroup.co.uk. The Company always responds to letters from 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 and are also available from the Secretary or by downloading from the Company's website, www.mitongroup.com/dit.

Audit Committee Report

I am pleased to present the Audit Committee Report for the year ended 31 May 2020.

Role 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, and review 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 its remuneration and terms of engagement, including the provision of any non-audit services;
- to review the effectiveness of the audit process; and
- to review and monitor the auditor's independence and objectivity.

The Audit Committee has direct access to the Company's Auditor, Ernst & Young LLP, and provides a forum through which the Auditor reports to the Board. Representatives of the Auditor attend meetings of the Audit Committee on a regular basis.

Matters Considered in the Year

The Audit Committee met twice during the year under review and once post the year end. It has:

- reviewed the internal controls and risk management systems of the Company and its third party service providers;
- agreed the audit plan with the Auditor, including the principal areas of focus, and agreed the audit fee;
- received and discussed with the Auditor their report on the results of the audit;
- carried out an audit tender and made recommendations to the Board in relation to the appointment of the Auditor;

- reviewed the Group's financial statements and discussed the appropriateness of the accounting policies adopted; and

- met with the Manager to discuss and challenge the valuation of Level 3 investments.

The Audit Committee has reviewed and updated, where appropriate, updated the risk matrix. This is done on a six-monthly basis. During the year the Audit Committee reviewed the impact of the COVID-19 pandemic on the risks identified.

The Audit Committee receives a report on internal control and compliance from the Manager's Compliance Officer on a six-monthly basis and discusses this with the Manager. The Manager has in place a compliance monitoring plan for testing of controls as an alternative to establishing a separate internal audit function. The Audit Committee also meets with representatives of the Depositary and Custodian at least once a year and receives reports from both. No significant issues or concerns arose from these discussions. Reports from the Company's other service providers were also reviewed and no significant matters of concern were identified.

In the light of these reports and controls that are in place, the Audit Committee does not consider that an internal audit function would provide sufficient additional comfort to warrant the extra costs to the Company.

The Audit Committee monitors and reviews the effectiveness of the external audit process for the Annual Report, including a detailed review of the audit plan and the audit results report, and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. The Audit Committee also reviews a copy of the latest FRC Audit Quality Inspection Report on the Auditor. Any concerns with the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of the year ended 31 May 2020.

Significant Issue	Mitigation
The valuation and ownership of the investment portfolio.	The Board relies on the Administrator and the Manager to use correct listed prices and seeks comfort in the testing of this process through the internal control statements. This was discussed with the Administrator, Manager and Auditor at the conclusion of the audit of the financial statements. The Audit Committee has also discussed, challenged and agreed with the Manager the approach to the valuation of Level 3 investments. Regular updates are provided to the Directors about the activities and valuations of any unquoted holdings. The Company uses the services of an independent Depositary (The Bank of New York Mellon (International) Limited) to hold the assets of the Company. The Depositary checks the consistency of its records with those of the Manager on a monthly basis and reports to the Audit Committee twice a year.
The allocation of special dividends between revenue and capital.	The Audit Committee has also reviewed and confirmed with the Manager, Administrator and Auditor the treatment of special dividends.
Maintenance of investment trust status.	The Manager and Administrator have reported to the Audit Committee to confirm continuing compliance with the requirements for maintaining investment trust status. The position is also discussed with the Auditor as part of the audit process.
Following the consideration of the above matters and its detailed review, the Audit Committee was of the opinion that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	Audit Fees and Non-Audit Services An audit fee of £48,000 (inclusive of VAT) has been agreed in respect of the audit for the year ended 31 May 2020 (2019: £33,600). 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. No non-audit fees were paid to Ernst & Young LLP in the year (2019: none).

Audit Committee Report continued

Independence and Objectivity of the Auditor

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 Committee considers that this provides sufficient evidence of independence. Following its review of the independence of the Auditor, the Audit Committee has been reassured that no conflicts have arisen during the year.

The Audit Committee is responsible for reviewing the level of non-audit fees paid to the Auditor. No non-audit services have been provided by the Auditor over the last four years. Given that the Board has indicated that it is unlikely to carry out any further C share issues, the level of non-audit fees is likely to remain low in the future.

Ernst & Young LLP has been Auditor to the Company since launch in April 2011.

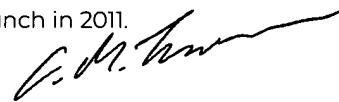
Audit Tender

As discussed in the 2019 Annual Report, the Company carried out an audit tender during 2020. In April 2020, five audit firms were invited to take part in the tender. Four of the firms responded that, due to varying reasons but largely in relation to operational pressure on capacity caused by the COVID-19 pandemic, they were unable to take part in the tender at that time. Following discussion and review of the submitted tender document, the Audit Committee agreed to receive a presentation from BDO LLP, the firm which had indicated that they were able to take part in the tender. Further to the presentation and discussions held with BDO LLP and giving consideration to the level of investment trust experience of the team, the audit fee and its independence, the Audit Committee recommended BDO LLP's appointment as Auditor to the Board.

The audit partner of the Company has been rotated twice since the Auditor's initial appointment, in respect of the financial years ended 31 May 2013 and 31 May 2018. Amarjit Singh was appointed as the Audit Partner on 31 May 2020.

Following the decision to appoint BDO LLP as Auditor, Ernst & Young LLP will not be re-appointed at the forthcoming AGM but shareholders will be asked to approve BDO's appointment and a resolution for the Audit Committee to determine its remuneration. On behalf of shareholders, I would like to thank Ernst & Young LLP for its services to the Company since launch in 2011.

Calum Thomson
Audit Committee Chairman
17 August 2020



Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. Ordinary resolutions for the approval of the Directors' Remuneration Report and Directors' Remuneration Policy will be put to shareholders at the forthcoming AGM.

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 pages 49 to 60.

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2020.

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 therefore carried out by the Board as a whole. The Board consists entirely of independent non-executive Directors and the Company has no employees. We have not, therefore, reported on those aspects of remuneration that relate to executive Directors.

The Remuneration Policy is being put to shareholders for approval at the forthcoming AGM, it being three years since it was last approved. No material changes to the Policy are being proposed and there will be no significant change in the way the Policy will be implemented in the course of the next financial year.

Directors' fees were last increased on 1 June 2018. Following our annual review of Directors' fees against those of the Company's peer group and the average for similar-sized investment trusts, the Board agreed to increase the Chairman's fee to £38,556 per annum, the Audit Committee Chairman's fee to £31,392 and the fee for the other Directors to £27,540 per annum to align them with current market levels. These changes were effective from 1 June 2019.

There will be no significant change in the way the Remuneration Policy will be implemented in the course of the next financial year, once approved.

Directors' Remuneration Policy

A resolution to approve this Remuneration Policy, which was last approved at the AGM of the Company on 10 October 2017, will be proposed at the forthcoming AGM. If passed, the policy provisions set out below will apply until they are next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or the Remuneration Policy is varied, in which event shareholder approval for the new Remuneration Policy will be sought.

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.

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, or any greater sum that may be determined by ordinary resolutions of the Company. The Chairman does not participate in any discussions relating to his own fee, which is determined by the other independent Directors. Directors 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' Remuneration Report continued

Under the Company's Articles of Association, if any Director is called upon to perform extra or special services of any kind, they shall be entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the

Board shall determine, be either in addition to or in substitution for any other remuneration they may be entitled to receive.

Directors are entitled to be paid all expenses properly incurred in attending Board or shareholder meetings or otherwise in or with a view to the performance of their duties.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Component	Director	Rate at 1 June 2020	Purpose of Remuneration
Annual fee	Chairman	£38,556	Commitment as Chairman ¹
Annual fee	Non-executive Directors	£27,540	Commitment as a non-executive Director ²
Additional fee	Chairman of the Audit Committee	£3,852	For additional responsibilities and time commitments ³
Additional fee	All Directors	Discretionary	For extra or special services performed in their role as a Director ⁴
Expenses	All Directors	N/A	Reimbursement of expenses incurred in the performance of duties as a Director

¹ The Company's policy is for the Chairman of the Board to be paid a higher fee than the other Directors to reflect the more onerous role.

² The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £500,000 per annum.

³ The Company's policy is for the Chairman of the Audit Committee to be paid a higher fee than the other Directors to reflect the more onerous role.

⁴ Additional fees would only be paid in exceptional circumstances in relation to the performance of extra or special services.

No other additional fees are payable for membership of the Board's committees.

Fees for any new Director appointed will be on the above basis. Fees payable in respect of subsequent periods will be determined following an annual review. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

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 AGM after their appointment. Thereafter, they will be subject to annual re-election. Compensation will not be made upon early termination of appointment.

Remuneration Report

Directors' Fees for the Period (audited)

The Directors who served in the year received the following emoluments:

	Year ended 31 May 2020			Year ended 31 May 2019		
	Fees £	Expenses £	Total £	Fees £	Expenses £	Total £
Michael Wrobel (Chairman)	38,556	–	38,556	35,700	–	35,700
Andrew Bell ¹	27,540	–	27,540	10,625	–	10,625
Paul Craig	27,540	–	27,540	25,500	–	25,500
Caroline Kemsley-Pein ¹	27,540	–	27,540	10,625	–	10,625
Lucinda Riches ²	–	–	–	14,875	–	14,875
Calum Thomson	31,392	–	31,392	29,070	–	29,070
Jane Tufnell ³	9,921	–	9,921	25,500	–	25,500
Michelle McGrade ⁴	17,760	167	17,927	–	–	–
	180,249	167	180,416	151,895	–	151,895

¹ Appointed as a Director on 1 January 2019.

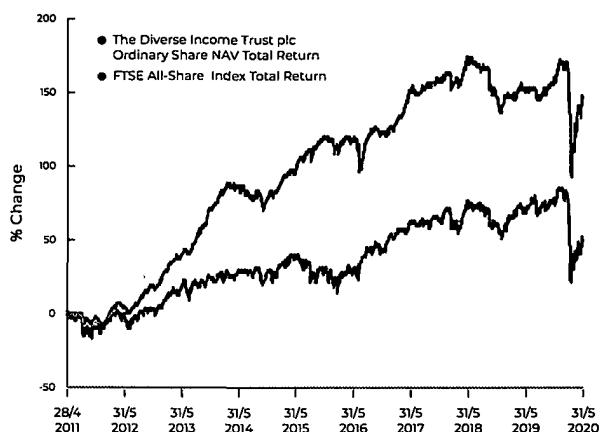
² Resigned as a Director on 1 January 2019.

³ Resigned as a Director on 9 October 2019.

⁴ Appointed as a Director on 10 October 2019.

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 FCA, 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: Miton Asset Management Limited.

Relative Importance of Spend on Pay

The table below shows the amount spent on pay.

	2020 £000	2019 £000	Change
Dividends paid to shareholders in the year	14,791	14,313	3.3%
Investment management fee	2,978	3,600	(17.3%)
Total remuneration paid to Directors	180	152	18.4%

Directors' Remuneration Report continued

Directors' Beneficial and Family Interests (audited)
There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company.

The interests of the Directors and their families in the ordinary shares of the Company as at 31 May 2020 are set out below:

	At 31 May 2020 (or date of resignation, if earlier) Number of ordinary shares	At 31 May 2019 Number of ordinary shares
Michael Wrobel (Chairman)	241,539	241,539
Andrew Bell	200,000	100,000
Paul Craig	42,625	42,625
Caroline Kemsley-Pein	–	–
Michelle McGrade ¹	39,025	–
Calum Thomson	53,591	53,591
Jane Tufnell ²	171,595	171,595

¹ Appointed as a Director on 10 October 2019.

² Resigned as a director on 9 October 2019.

Between 31 May 2020 and the date of this Report, Michael Wrobel acquired a further 48,461 shares, bringing his total holding to 290,000 shares, and Michelle McGrade has purchased a further 24,591 shares, bringing her total holding to 63,616.

Voting at Annual General Meeting

The Directors' Remuneration Report for the year ended 31 May 2019 and the Directors' Remuneration Policy were approved by shareholders at the AGMs held on 9 October 2019 and 10 October 2017 respectively. The votes cast by proxy were as follows:

	Directors' Remuneration Report		Directors' Remuneration Policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	180,917,419	99.95	153,641,985	99.94
Against	65,391	0.04	79,961	0.05
At Chairman's discretion	13,292	0.01	20,858	0.01
Total votes cast	180,996,102	100	153,739,804	100
Number of votes withheld	13,979		5,558	

Approval

The Directors' Remuneration Report was approved by the Board on 17 August 2020.

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 IFRS as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with IFRS. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year.

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;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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 Strategic Report, Directors' Report, 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 FCA.

The financial statements are published on the Company's website, www.mitongroup.com/dit, which is maintained on behalf of the Company by the Manager. 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.

Statement of Directors' Responsibilities continued

We confirm that to the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and return of the Company (and the Group as a whole); 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 emerging and principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Michael Wrobel
Chairman
17 August 2020



Independent Auditor's Report

Opinion

In our opinion:

- Diverse Income Trust plc's group financial statements and parent company financial statements (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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements been properly prepared in accordance with IFRSs as adopted by the European Union 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.

We have audited the financial statements of Diverse Income Trust plc which comprise:

Group	Parent company
Consolidated Balance Sheet as at 31 May 2020;	Balance Sheet as at 31 May 2020;
Consolidated Income Statement for the year then ended;	Statement of Changes in Equity for the year then ended;
Consolidated Statement of Changes in Equity for the year then ended;	Cash Flow Statement for the year then ended; and
Consolidated Statement of Cash Flows for the year then ended; and	Related notes 1 to 21 to the financial statements including a summary of significant accounting policies.
Related notes 1 to 21 to the financial statements, including a summary of significant accounting policies.	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and; as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditor's Report continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 18 to 21 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 18 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 28 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 28 and 29 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Risk of incomplete or inaccurate income recognition, including classification as revenue or capital items in the Consolidated Income Statement. • Incorrect valuation or defective title of the investment portfolio. • Impact of COVID-19 on the Group and its operations.
Audit scope	• We performed an audit of the consolidated and parent company financial statements of The Diverse Income Trust plc in accordance with applicable law and International Standards on Auditing (UK). • We performed an audit of the complete financial information of the DIT Income Services Limited subsidiary.
Materiality	• Overall group materiality of £3.36m, which represents 1% of net assets.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition (2020: £14.1m and 2019: £17.1m) Refer to the Audit Committee Report (page 41); accounting policies (pages 66 to 70); and note 2 of the Consolidated Financial Statements (page 71) The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income receivable for the year to 31 May 2020 was £14.1m (2019: £17.1m), with the majority being dividend receipts from listed investments.	We have performed the following procedures: We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition of all revenue streams by reviewing their internal controls report and performing our walkthrough procedures. We agreed a sample of dividends received from the income report to an independent data vendor, recalculating the amount received and agreeing to bank statements. We agreed a sample of dividends paid on investments held from an independent data vendor to the income report. We agreed 100% of accrued dividends to an independent data vendor, recalculating the amount receivable and agreeing to post year-end bank statements.	The results of our procedures are: Based on the work performed, we have no matters to report with respect to the procedures in response to the risk of incomplete or inaccurate income recognition, including classification of special dividends as revenue or capital items in the Consolidated Income Statement.

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Special dividends represent dividends paid by investee companies that are additional to the normal or expected dividend cycle for that company. In accordance with the AIC SORP, special dividends can be included within either the revenue or capital columns of the Statement of Comprehensive Income, depending on the commercial circumstances behind the payments. The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. There were £876k in total of special dividends received or accrued during the year, all classified as revenue within the Statement of Comprehensive Income. Specifically, in relation to our procedures on management override, we consider the risk that inappropriate journal entries are applied to the income account resulting in a manipulation of the Company's revenue to support performance and dividend targets.	To test the completeness of dividends, we selected a sample of holdings from the portfolio and used an independent source to determine if any dividends had been declared by these companies. For any such dividends, we agreed the dividend rates and dates from the independent source to the "dividends received report". We obtained an understanding of Premier Portfolio Managers Limited's (the 'Manager') and Link Alternative Fund Administrators Limited's (the 'Administrator') processes and controls surrounding the recognition and classification of special dividends by performing walkthrough procedures. We reconciled a sample of special dividends received from the income report to an independent pricing source. We recalculated the dividend amount receivable using exchange rates obtained from an independent data vendor and confirmed that the cash received as shown within bank statements were consistent with the recalculated amounts.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Specifically, in relation to our procedures on management override, we consider the risk that inappropriate journal entries are applied to the income account resulting in a manipulation of the Company's revenue to support performance and dividend targets.	We obtained the income report and the acquisition and disposal report produced by the Administrator to identify special dividends received or accrued in excess of our revenue testing threshold. We noted that two special dividends were above our testing threshold and we selected an additional two special dividends as a representative sample, the total sample size amounted to £424k. For the sample selected we reviewed the underlying circumstances and motives for the payments to verify the classification of these special dividends as revenue or capital. We tested the completeness of special dividends by selecting a sample of holdings from the portfolio and used an independent source to determine if any special dividends had been declared by these companies. To test for the risk of management override, we tested a sample of manual journal entries posted to the income account and corroborated their business purpose to available evidence.	The results of our procedures are: We have no matters to communicate with respect to the procedures that we performed in response to the risk of incorrect valuation and/or defective title of the investment portfolio held at fair value through profit and loss.
Incorrect valuation or defective title of the investment portfolio (2020: £310.4m and 2019: £326.2m) Refer to the Audit Committee Report (page 41); accounting policies (pages 66 to 70); and note 12 of the consolidated financial statements (pages 77 to 79)	We have performed the following procedures: We obtained an understanding of the Administrator's process surrounding investment valuation by reviewing their internal control reports and by performing our walkthrough procedures.	

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Investments held at the year-end were valued at £310.40m (2019: £326.25m). 98% of these investments are classified as Level 1 and 2% as Level 2.	We agreed 100% of the quoted investment valuations and exchange rates to a third-party source.	
Listed investments are valued at fair value, which is deemed to be bid value or the last traded price depending on the convention of the exchange on which the investment is listed.	For all listed investments in the portfolio, we compared the investment holdings at 31 May 2020 to the average trading volumes per an independent pricing vendor to assess the stock liquidity profile, to challenge the valuation and levelling disclosure of the investments.	
Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Manager.	Obtained independent confirmation from the custodian and depositary of all securities held at the year-end and agreed all securities held from the Group's records to those of the custodian and depositary.	
In addition, there is also a risk of defective title of the entire investment portfolio.	For Level 2 investments, we: Discussed the fair valuation methodology with the Manager to understand the methodology and calculations applied; Recalculated the fair values of the Level 2 investments based on the fair value methodology, and tested the inputs to the calculation to third party sources; and Assessed the reasonableness of the fair value methodology applied to the investments.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impact of COVID-19 on the Group and its operations	We have performed the following procedures:	The results of our procedures are:
Refer to the Audit Committee Report (page 41) and note 1 to the consolidated financial statements (page 67).	<i>Going concern</i> We have reviewed the assessment of going concern which includes consideration of the impact of COVID-19, as prepared by the Manager.	Based on the procedures performed, we are satisfied that the Directors have appropriately considered the impact of COVID-19 on the operations and financial outlook of the Company and the appropriate disclosures has been made in the financial statements.
The COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in global equity and debt markets, but as of the date of our audit report, the precise extent of the future impact remains uncertain. This uncertainty had an impact on our risk assessment and, as a result, on our audit of the financial statements.	We reviewed the cash flow forecast which takes account of the impact COVID-19 may have on the Group and supports the Directors' assessment of going concern.	
The COVID-19 pandemic and resultant uncertainties had the most significant impact on our audit of the financial statements in the following areas:	We have confirmed through discussion with the Company Secretary that they are in close contact with key service providers and that Business Continuity Plans are in place with no significant deterioration of service being experienced.	
<i>Going concern</i> There is increased risk due to the degree of uncertainty in the assumptions underlying management's assessment of future prospects, including the impact of COVID-19 on the Group continuing to meet its liabilities as and when they fall due.	We performed procedures over the liquidity of the portfolio through reviewing management's assessment of how quickly the portfolio could be liquidated if required.	
<i>Revenue recognition</i> There is a risk that revenue could be incorrectly stated due to fixed income payments accrued at the year-end on underlying investments being subsequently defaulted upon.	<i>Revenue recognition</i> In response to the increased likelihood that companies fail to make dividend payments due because of COVID-19, we assessed the recoverability of accrued income up to the date of the approval of the Annual Report and Financial Statements.	

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<i>Financial statement disclosures</i> There is a risk that the impact of COVID-19 is not adequately disclosed in the financial statements.	We have confirmed that all accrued income scheduled to be received has been as at the date of this report, by agreeing payments to post year-end bank statements. <i>Financial statement disclosures</i> We reviewed the disclosures contained within the Annual Report and Financial Statements, including the going concern and viability statements and the commentary in the investment Manager's review, to ensure that the impact of COVID-19 has been appropriately considered and presented.	

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope of each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We consider account size, risk profile, the organisation of the Group and effectiveness of Group wide controls, changes in the business environment when assessing the level of work to be performed at each entity.

We performed a full scope audit for both the parent and DIT Income Services Limited. All audit work performed for the purposes of the audit was undertaken by the audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £3.36 million (2019: £3.65 million), which is 1% (2019: 1%) of net assets. We believe that net assets provide us with the most appropriate metric that the shareholders would use to judge the performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £2.52m (2019: £2.74m). We have set performance materiality at this percentage due to the fact that there is no history of misstatements in previous audits of the Group.

Given the importance of the distinction between revenue and capital for the Company, we have also applied a separate testing threshold of £626,000 (2019: £769,000) for the revenue column of the Consolidated Income Statement, being 5% of the return on ordinary activities before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £168,000 (2019: £183,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 48 and 83 to 98, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 48** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Independent Auditor's Report continued

- **Audit committee reporting set out on page 40 to 42** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 33 to 39** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 47 and 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are IFRS, the Companies Act 2006, AIC SORP, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 24 January 2019 to audit the financial statements for the year ending 31 May 2020.

Independent Auditor's Report continued

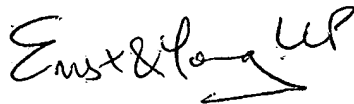
The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 31 May 2012 to 31 May 2020.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Amarjit Singh
Senior statutory Auditor



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

17 August 2020

Notes:

1. The maintenance and integrity of The Diverse Income Trust plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

	Notes	Year ended 31 May 2020			Year ended 31 May 2019		
		Revenue return £000	Capital return £000	Total £000	Revenue return £000	Capital return £000	Total £000
Losses on investments held at fair value through profit or loss	12	-	(32,881)	(32,881)	-	(33,171)	(33,171)
Foreign exchange losses		-	(33)	(33)	-	(48)	(48)
Gains/(losses) on derivatives held at fair value through profit or loss	13	-	13,674	13,674	-	(2,914)	(2,914)
Income	2	14,101	-	14,101	17,100	-	17,100
Management fee	3	(744)	(2,234)	(2,978)	(900)	(2,700)	(3,600)
Other expenses	4	(841)	-	(841)	(781)	-	(781)
Return on ordinary activities before finance costs and taxation		12,516	(21,474)	(8,958)	15,419	(38,833)	(23,414)
Finance costs	5	(28)	(82)	(110)	(30)	(91)	(121)
Return on ordinary activities before taxation		12,488	(21,556)	(9,068)	15,389	(38,924)	(23,535)
Taxation – irrecoverable withholding tax	6	(67)	-	(67)	(228)	-	(228)
– prior years recoverable withholding tax now irrecoverable		(59)	-	(59)	(17)	-	(17)
Return on ordinary activities after taxation	7	12,362	(21,556)	(9,194)	15,144	(38,924)	(23,780)
		pence	pence	pence	pence	pence	pence
Return per ordinary share	7	3.27	(5.70)	(2.43)	3.95	(10.14)	(6.19)

The total column of this statement is the Income Statement of the Group prepared in accordance with 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 year.

There is no other comprehensive income, and therefore the return on ordinary activities after tax is also the total comprehensive income.

The notes on pages 66 to 87 form part of these financial statements.

Consolidated Statement of Changes in Equity

Group	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2019		434	192,562	–	45,775	108,999	17,470	365,240
Total comprehensive income:								
Net return for the year		–	–	–	–	(21,556)	12,362	(9,194)
Transactions with shareholders recorded directly to equity:								
Cancellation of ordinary shares		(6)	–	6	(5,245)	–	–	(5,245)
Equity dividends paid	8	–	–	–	–	–	(14,791)	(14,791)
As at 31 May 2020		428	192,562	6	40,530	87,443	15,041	336,010

Group	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2018		434	192,244	–	45,775	147,923	16,639	403,015
Total comprehensive income:								
Net return for the year		–	–	–	–	(38,924)	15,144	(23,780)
Transactions with shareholders recorded directly to equity:								
Issue of ordinary shares		–	318	–	–	–	–	318
Equity dividends paid	8	–	–	–	–	–	(14,313)	(14,313)
As at 31 May 2019		434	192,562	–	45,775	108,999	17,470	365,240

The notes on pages 66 to 87 form part of these financial statements.

Parent Company Statement of Changes in Equity

Company	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2019		434	192,562	–	45,775	108,999	16,570	364,340
Total comprehensive income:								
Net return for the year		–	–	–	–	(21,556)	12,277	(9,279)
Transactions with shareholders recorded directly to equity:								
Cancellation of ordinary shares		(6)	–	6	(5,245)	–	–	(5,245)
Equity dividends paid	8	–	–	–	–	–	(14,791)	(14,791)
As at 31 May 2020		428	192,562	6	40,530	87,443	14,056	335,025

Company	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve £000	Revenue reserve £000	Total £000
As at 1 June 2018		434	192,244	–	45,775	147,923	15,795	402,171
Total comprehensive income:								
Net return for the year		–	–	–	–	(38,924)	15,088	(23,836)
Transactions with shareholders recorded directly to equity:								
Issue of ordinary shares		–	318	–	–	–	–	318
Equity dividends paid	8	–	–	–	–	–	(14,313)	(14,313)
As at 31 May 2019		434	192,562	–	45,775	108,999	16,570	364,340

The notes on pages 66 to 87 form part of these financial statements.

Consolidated and Parent Company Balance Sheets

	Notes	Group 31 May 2020 £000	Group 31 May 2019 £000	Company 31 May 2020 £000	Company 31 May 2019 £000
Non-current assets:					
Investments held at fair value through profit or loss	12	310,398	326,248	310,398	326,248
Current assets:					
Derivative instruments	13	–	6,313	–	6,313
Trade and other receivables	16	2,717	5,587	2,717	5,587
Cash and cash equivalents		25,816	27,495	25,816	27,495
		28,533	39,395	28,533	39,395
Current liabilities:					
Trade and other payables	17	(2,921)	(403)	(3,906)	(1,303)
		(2,921)	(403)	(3,906)	(1,303)
Net current assets		25,612	38,992	24,627	38,092
Total net assets		336,010	365,240	335,025	364,340
Capital and reserves:					
Share capital – ordinary shares	9	378	384	378	384
Share capital – management shares	9	50	50	50	50
Share premium account	10	192,562	192,562	192,562	192,562
Capital redemption reserve	10	6	–	6	–
Special reserve	10	40,530	45,775	40,530	45,775
Capital reserve	10	87,443	108,999	87,443	108,999
Revenue reserve	10	15,041	17,470	14,056	16,570
Shareholders' funds		336,010	365,240	335,025	364,340
		pence	pence		
Net asset value per ordinary share	11	88.82	95.17		

The amount of the Company's return for the financial year is a loss after tax of £9,279,000 (2019: loss of £23,836,000).

These financial statements were approved and authorised for issue by the Board of The Diverse Income Trust plc on 17 August 2020 and were signed on its behalf by:

Michael Wrobel
Chairman



Company No: 7584303

The notes on pages 66 to 87 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statements

	Group 31 May 2020 £000	Group 31 May 2019 £000	Company 31 May 2020 £000	Company 31 May 2019 £000
Operating activities:				
Net return before taxation	(9,068)	(23,535)	(9,153)	(23,591)
Losses on investments and derivatives held at fair value through profit or loss	19,207	36,085	19,207	36,085
Finance costs	112	100	112	100
Decrease/(increase) in trade and other receivables	76	(3,256)	76	(3,256)
(Decrease)/increase in trade and other payables	(33)	(2,666)	52	(2,609)
Withholding tax recoverable/(paid)	(126)	(245)	(126)	(245)
Net cash inflow from operating activities	10,168	6,483	10,168	6,484
Investing activities:				
Purchase of investments	(138,046)	(99,709)	(138,046)	(99,709)
Sale of investments	126,360	122,957	126,360	122,957
Purchase of derivative instruments	–	(6,753)	–	(6,753)
Sale of derivative instruments	19,987	1,904	19,987	1,904
Net cash inflow from investing activities	8,301	18,399	8,301	18,399
Financing activities:				
Ordinary shares issued	–	318	–	318
Cancellation of shares	(5,245)	–	(5,245)	–
Finance costs paid	(112)	(100)	(112)	(100)
Equity dividends paid	(14,791)	(14,313)	(14,791)	(14,313)
Net cash outflow from financing	(20,148)	(14,095)	(20,148)	(14,095)
(Decrease)/increase in cash and cash equivalents	(1,679)	10,787	(1,679)	10,788
Reconciliation of net cash flow movements in funds:				
Cash and cash equivalents at the start of the year	27,495	16,708	27,495	16,707
Net cash (outflow)/inflow from cash and cash equivalents	(1,679)	10,787	(1,679)	10,788
Cash and cash equivalents at the end of the year	25,816	27,495	25,816	27,495
Cash and cash equivalents comprise the following:				
Cash at bank	25,816	27,495	25,816	27,495
	25,816	27,495	25,816	27,495
Cash and cash equivalents received/(paid) during the year includes:				
Dividend received	10,433	11,593	10,433	11,593
Interest received and other income	3,676	5,278	3,676	5,222

The notes on pages 66 to 87 form part of these financial statements.

Notes to the Consolidated Financial Statements

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 Sections 1158/1159 of the Corporation Tax Act 2010.

The Group's annual financial statements for the year ended 31 May 2020 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 the provisions of the Companies Act 2006. The annual financial statements have also been prepared in accordance with the AIC SORP 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

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.

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

Going Concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, being a period of at least 12 months from the date these financial statements were approved. In making the assessment, the Directors have considered the likely impacts of

the current COVID-19 pandemic on the Company, operations and the investment portfolio. The Directors noted the cash balance exceeds any short-term liabilities, the Company has access to a revolving credit facility which has not been drawn down and the Company holds a portfolio of investments listed on the London Stock Exchange. The Company is a closed-end fund, where assets are not required to be liquidated to meet day-to-day redemptions. The Directors have completed stress tests assessing the impact of changes in market value, income, the current annual redemption and future potential annual redemptions with associated cashflows. Whilst the economic future is uncertain, and the Directors believe it is possible the Company could experience further reductions in income and/or market value that this should not be to a level which would threaten the Company's ability to continue as a going concern. The Directors, the Manager and other service providers have put in place contingency plans to minimise disruption. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Basis of Consolidation

IFRS 10 sets out the principles for the presentation and preparation of consolidated financial statements and establishes a single control model that applies to all entities.

The Company has made the significant accounting judgement that the Company meets the definition of an investment entity. However, the Company's wholly-owned subsidiary, DIT Income Services Limited, is an extension of the Company through which it provides services that relate to the investment entity's investment activities and the subsidiary is not itself an investment entity. The Group financial statements therefore consolidate the financial statements of

the Company and its subsidiary, drawn up to 31 May 2020. The subsidiary is consolidated from the date of acquisition, being the date on which control was obtained, and will continue to be consolidated until the date that such control ceases. Control comprises being exposed, or having rights, to variable returns through its power over the investee. 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 year dealt with in the financial statements of the Group is a loss after tax of £9,279,000 (2019: loss of £23,836,000).

Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment business. The Group primarily invests in companies listed in the UK.

Accounting Developments

In the current year, the Company has applied a number of amendments to IFRS, issued by the IASB. These include annual improvements to IFRS, changes in standard, legislative and regulatory amendments, changes in disclosure and presentation requirements. The Company has also applied, with associated amendments, for the first time the following standards: IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases by lessors and lessees.

The adoption of the changes to accounting standards has had no material impact on the current or prior years' financial statements. The Company held no leases during the current or prior years.

There are a number of amendments to IFRS, legislation and regulatory requirements which will apply from 1 April 2020. These will not impact the financial statements other than requiring changes in disclosure and presentation amendments.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in 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 areas requiring the most significant judgement and estimation in the preparation of the financial statements are: accounting for the value of unquoted investments; valuation of derivatives; recognising and classifying unusual or special dividends received as either revenue or capital in nature; and setting the level of dividends paid and proposed in satisfaction of both the Company's long-term objective and its obligations to adhere to investment trust status rules under Section 1158 of the Corporation Tax Act 2010. The policies for these are set out in the notes to the financial statements below.

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 or judgements that had a significant impact on the financial statements in the current period.

Investments

The Group's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Group's Board of Directors.

Notes to the Consolidated Financial Statements continued

Upon initial recognition, the investments held by the Company, except for the investment in the subsidiary, are classified 'at fair value through profit or loss'. They are included initially at fair value, which is taken to be their cost (excluding expenses incidental to the acquisition, which are written off in the Income Statement and allocated to 'capital' at the time of acquisition). When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date. Subsequent to initial recognition, investments are valued at fair value through profit or loss. For listed investments this is deemed to be bid market prices or closing prices for Stock Exchange Electronic Trading Service – quotes and crosses ("SETSqx").

Changes in fair value of investments are recognised in the Income Statement as a capital item. On disposal, realised gains and losses are also recognised in the Income Statement as capital items.

The investment in the subsidiary company, DIT Income Services Limited, is held at cost £1 (2019: £1). Investments held as current assets by the subsidiary undertaking are classified as 'held for trading' and are at fair value. Dealing profits or losses on these investments are taken to revenue in the Income Statement. There were no investments held by the subsidiary at the year end (2019: none).

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 12.

Foreign Currency

Transactions denominated in foreign currencies are converted to sterling at the actual exchange rate as at the date of the transaction. Monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies at the year end are reported at the rate of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is of a capital or revenue nature.

Derivatives

Derivatives, including Index Put options, which are listed investments, are classified as financial instruments at fair value through profit or loss. Derivatives are initially recorded at cost (being premium paid to purchase the option) and subsequently valued at fair value and included in current assets/liabilities. Derivatives are derecognised when the contract expires or on the trade date when the contract is sold.

Changes in the fair value of derivative instruments are recognised as they arise in the capital column of the Income Statement. The fair value is calculated by either the quoted price (if listed) or a broker using models with inputs from market prices. On disposal or expiration, realised gains and losses are also recognised in the Income Statement as capital items.

Cash and Cash Equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

Trade Receivables, Prepayments and Other Debtors
Trade receivables, prepayments and other debtors are recognised at amortised cost or estimated fair value.

Trade Payables and Short-term Borrowings
Trade payables and short-term borrowings are measured at amortised cost.

Income

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. 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. Fixed returns on non-equity shares are recognised

on a time-apportioned basis. Dividends from overseas companies are shown gross of any non-recoverable withholding taxes, which are disclosed separately in the Income Statement.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted for on a time-apportioned accruals basis and is recognised in the Income Statement.

Expenses and Finance Costs

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 management fee and finance costs to capital. All other administrative expenses are charged through the revenue column in the Income Statement.

Expenses incurred directly in relation to arranging debt and loan facilities have been capitalised and amortised over the term of the finance.

Expenses incurred directly in relation to placings and offers for subscription of shares are deducted from equity and charged to the share premium account.

Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. 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 AIC 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.

The actual charge for taxation in the income statement relates to irrecoverable withholding tax on overseas dividends received during the year.

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.

Notes to the Consolidated Financial Statements continued

Special Reserve

The special reserve was created by a cancellation of the share premium account by order of the High Court in February 2012. Its main purpose is to allow the Company to meet annual redemption requests for ordinary shares. The costs of repurchasing ordinary shares and meeting annual redemption requests, including related stamp duty and transaction costs, are also charged to the special reserve.

Share Capital

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The share capital of the Company comprises redeemable ordinary shares ("ordinary shares"), C shares, when in issue, and management shares.

The Company is a closed-ended investment company with an unlimited life. The ordinary shares are not puttable instruments because redemption is conditional upon certain market conditions and/or Board approval. As such, they are not required to be classified as debt under IAS 32 'Financial Instruments: Disclosure and Presentation'.

As defined in the Articles of Association, redemption of ordinary shares is at the sole discretion of the Directors, therefore the ordinary shares have been classified as equity.

The issuance, acquisition and resale of ordinary shares are accounted for as equity transactions and no gain or loss is recognised in the Income Statement.

Share Premium

The share premium account represents the accumulated premium paid for shares issued in previous periods above their normal value less issue expenses. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity; and
- premium on the issue of shares.

Capital Redemption Reserve

The capital redemption reserve represents non-distributable reserves that arise from the purchase and cancellation of shares.

Capital Reserve

The following are taken to this reserve:

- gains and losses on the disposal of investments;
- exchange difference of a capital nature;
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies; and
- increase and decrease in the valuation of investments held at the year end.

The capital reserve is distributable.

Revenue Reserve

The revenue reserve represents the surplus accumulated revenue profits and is distributable.

2. Income

	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Income from investments:		
UK dividends	10,346	11,839
UK REIT dividend income	230	396
Non UK dividend income	2,890	4,063
UK fixed interest	516	648
	13,982	16,946
Other income:		
Bank deposit interest	17	9
Exchange (losses)/gains	17	(14)
Net dealing profit of subsidiary*	85	56
Underwriting income	-	100
Other income	-	3
Total income	14,101	17,100

* Represents realised trading gains and losses from trading transactions. There are no other expenses/income in respect of the subsidiary.

3. Management Fee

	Year ended 31 May 2020			Year ended 31 May 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Management fee	744	2,234	2,978	900	2,700	3,600

The basic management fee payable to the Manager is calculated at the rate of one-twelfth of 0.9% of the average market capitalisation of the Company up to £300m, 0.8% per annum on the average market capitalisation between £300m and £500m and 0.7% per annum on the average market capitalisation above £500m 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 and C share (when in issue), multiplied by the number of relevant shares in issue, excluding those held by the Company in treasury, on the last business day of the relevant month. In addition, the AIFM is entitled to receive a management fee on any Redemption Pool, as detailed in the Strategic Report on page 25.

As part of an internal reorganisation by the Manager, Premier Portfolio Managers Limited were appointed as Alternative Investment Fund Manager (AIFM) and Manager in place of Miton Trust Managers Limited on 24 April 2020. Premier Portfolio Managers Limited undertake to perform and observe the terms of the existing Investment Management Agreement.

At 31 May 2020 an amount of £232,000 was outstanding and due to Premier Portfolio Managers Limited (2019: £292,000 due to Miton Trust Managers Limited) in respect of management fees.

Notes to the Consolidated Financial Statements continued

4. Other Expenses

	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Fund Administration and Secretarial services	125	122
Auditor's remuneration for:		
Audit of the Group's financial statements (payable by the Company only)	48	34
Directors' fees (see the Directors' Remuneration Report on pages 43 to 46)	180	152
Other expenses	488	473
	841	781

The audit of the Group's financial statements includes the cost of the audit of DIT Income Services Limited of £3,000 (2019: £2,000), which is paid by the parent Company.

5. Finance Costs

	Year ended 31 May 2020			Year ended 31 May 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
RBSI £20m (2019: £25m) revolving loan facility arrangement fee	5	15	20	5	16	21
RBSI £20m (2019: £25m) revolving loan facility non-utilisation fee	23	67	90	25	75	100
	28	82	110	30	91	121

The Group entered into a revolving loan facility (the "facility") on 4 October 2019 with The Royal Bank of Scotland International Limited, London branch ("RBS") for £20m which replacing the previous expired revolving credit facility for £25m. The facility bears interest at the rate of 1.35% over LIBOR on any drawn down balance and a non-utilisation fee of 0.5% on any undrawn balance. The facility is due for renewal in September 2020. The covenants require that borrowings will not at any time exceed 25% of the adjusted portfolio value, being the total portfolio value less the gross market value of each investment which is not a quoted equity freely traded on a recognised investment exchange, and that the net asset value shall at all times be greater than £210m. If the Group breaches any covenant it is required to notify RBS of any default and the steps being taken to remedy it.

The arrangement fee of £20,000 was paid and is amortised over the period of the facility.

The Group has not drawn down this facility during the year (2019: nil) and no amounts have been drawn down at the date of signing this report.

6. Taxation

	Year ended 31 May 2020			Year ended 31 May 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Prior years recoverable WHT now written off	59	–	59	17	–	17
Overseas withholding tax suffered	67	–	67	228	–	228
Total overseas withholding tax suffered	126	–	126	245	–	245

	Year ended 31 May 2020			Year ended 31 May 2019		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Return on activities before taxation	12,488	(21,556)	(9,068)	15,389	(38,924)	(23,535)
Theoretical tax at UK corporation tax rate of 19% (2019: 19%)	2,373	(4,096)	(1,723)	2,924	(7,396)	(4,472)
Effects of:						
UK dividends that are not taxable	(1,966)	–	(1,966)	(2,249)	–	(2,249)
Overseas dividends that are not taxable	(530)	–	(530)	(703)	–	(703)
Non-deductible investment losses	–	3,656	3,656	–	6,865	6,865
Overseas taxation suffered	67	–	67	228	–	228
Overseas tax – prior year's recoverable tax written off	59	–	59	17	–	17
Double tax relief expensed in current period	2	–	2	13	–	13
Unrelieved expenses	121	440	561	15	531	546
Actual current tax charge	126	–	126	245	–	245

Factors that may affect future tax charges

At 31 May 2020, the Company had no unprovided deferred tax liabilities (2019: £nil). At that date, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £23,135,000 (2019: £20,091,000) that are available to offset future taxable revenue. A deferred tax asset of £4,396,000 (2019: £3,415,000) has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

The income from the subsidiary subject to taxation was £85,000 (2019: £56,000) and was offset against excess management expenses held by the Company using group relief. 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.

Notes to the Consolidated Financial Statements continued

7. Return per Share

Ordinary Shares

The return per ordinary share is based on the net loss after taxation of £9,194,000 (2019: loss £23,780,000) and on 378,484,338 (2019: 383,732,171) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The return per ordinary share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 May 2020			Year ended 31 May 2019		
	Revenue	Capital	Total	Revenue	Capital	Total
Basic & diluted						
Net (loss)/profit (£'000)	12,362	(21,556)	(9,194)	15,144	(38,924)	(23,780)
Weighted average number of ordinary shares in issue			378,484,338			383,732,171
Return per ordinary share (pence)	3.27	(5.70)	(2.43)	3.95	(10.14)	(6.19)

The 50,000 Management shares do not participate in the returns of the Company.

8. Dividends per Ordinary Share

Amounts recognised as distributions to equity holders in the year:

	Year ended 31 May 2020		Year ended 31 May 2019	
	£000	pence per share	£000	pence per share
In respect of the previous year:				
Third interim dividend	3,405	0.90	3,260	0.85
Final dividend	4,161	1.10	3,838	1.00
Special dividend	605	0.16	883	0.23
In respect of the year under review:				
First interim dividend	3,215	0.85	3,070	0.80
Second interim dividend	3,405	0.90	3,262	0.85
Dividends distributed during the year	14,791	3.91	14,313	3.73

The Directors have declared a third interim dividend in respect of the year ended 31 May 2020 of 0.90p per ordinary share payable on 28 August 2020 to all shareholders on the register at close of business on 26 June 2020. A final dividend of 1.05p per ordinary share has also been recommended by the Board. Subject to shareholder approval at the forthcoming AGM, this dividend will be payable on 30 November 2020 to shareholders on the register at close of business on 25 September 2020. The ex-dividend date will be 24 September 2020.

The total dividends payable in respect of the financial year for the purposes of the income retention test for Section 1158 of the Corporation Tax Act 2010 are set out below.

	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Revenue available for distribution by way of dividends for the year	12,277	15,088
First interim dividend 0.85p (2019: 0.80p) per ordinary share	(3,215)	(3,070)
Second interim dividend 0.90p (2019: 0.85p) per ordinary share	(3,405)	(3,262)
Declared third interim dividend 0.90p (2019: 0.90p) per ordinary share	(3,222)	(3,405)
Proposed final dividend of 1.05p (2019: 1.10p) per ordinary share	(3,759)	(4,161)
Proposed special dividend of 0.00p (2019: 0.16p) per ordinary share	–	(605)
Estimated revenue reserve (utilised)/retained for the year	(1,324)	585

9. Called-Up Share Capital

	31 May 2020		31 May 2019	
	number	£000	number	£000
Ordinary shares of 0.1p each				
Opening balance	383,787,239	384	383,487,239	384
Issue of ordinary shares	–	–	300,000	–
Cancellation of ordinary shares	(5,498,192)	(6)	–	–
	378,289,047	378	383,787,239	384

The rights and restrictions attached to shares, together with the capital structure of the Company, are set out on page 89.

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. 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.

The Company received redemption requests for 20,243,942 ordinary shares in respect of the 29 May 2020 Redemption Point. These shares were redeemed and cancelled by the Company with effect from 12 June 2020. All shareholders who validly applied to have shares redeemed received a calculated Redemption Price of 89.76p per share.

Details of the redemption facility are set out on page 88.

Management Shares

The 50,000 management shares with a nominal value of £1 each were allotted to Miton Group plc on 30 March 2011, the parent company of the Manager. The management shares are non-voting 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 2020, £12,500 had been paid up (2019: £12,500). The balance is payable on demand.

Notes to the Consolidated Financial Statements continued

10. Reserves

2020	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
Opening balance	192,562	-	45,775	84,034	24,965	17,470
Cancellation of ordinary shares	-	6	(5,245)	-	-	-
Net loss on realisation of investments	-	-	-	(10,256)	-	-
Exchange losses on settlements and currency accounts	-	-	-	(33)	-	-
Unrealised net decrease in value of investments	-	-	-	-	(22,625)	-
Movement in value of derivative instruments	-	-	-	13,234	440	-
Management fees/finance costs charged to capital	-	-	-	(2,316)	-	-
Equity dividends paid	-	-	-	-	-	(14,791)
Revenue return on ordinary activities after tax	-	-	-	-	-	12,362
Closing balance	192,562	6	40,530	84,663	2,780	15,041

2019	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
Opening balance	192,244	-	45,775	74,812	73,111	16,639
Issue of ordinary shares	318	-	-	-	-	-
Net gain on realisation of investments	-	-	-	17,411	-	-
Exchange losses on settlements and currency accounts	-	-	-	(48)	-	-
Unrealised net decrease in value of investments	-	-	-	-	(50,582)	-
Movement in value of derivative instruments	-	-	-	(5,350)	2,436	-
Management fees/finance costs charged to capital	-	-	-	(2,791)	-	-
Equity dividends paid	-	-	-	-	-	(14,313)
Revenue return on ordinary activities after tax	-	-	-	-	-	15,144
Closing balance	192,562	-	45,775	84,034	24,965	17,470

The distributable reserves of the Company are £139,249,000 (2019: £146,379,000).

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 £48,558,000 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.

11. Net Asset Value per Ordinary Share

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

	Net asset value per share 31 May 2020 pence	Net assets attributable 31 May 2020 £000	Net asset value per share 31 May 2019 pence	Net assets attributable 31 May 2019 £000
Opening balance				
– Basic and diluted	88.82	336,010	95.17	365,240

Net asset value per ordinary share is based on net assets at the year end and 378,289,047 ordinary shares (2019: 383,787,239), being the number of ordinary shares in issue at the year end.

The net asset value of £1 (2019: £1) per management share is based on net assets at the year end of £50,000 (2019: £50,000) and 50,000 (2019: 50,000) management shares. The shareholders have no right to any surplus capital or assets of the Company.

12. Investments

Group and Company	31 May 2020 £000	31 May 2019 £000
Investment portfolio summary:		
Opening book cost	300,843	306,680
Opening investment holding gains	25,405	75,987
Total investments classified at fair value	326,248	382,667
Analysis of investment portfolio movements		
Opening valuation	326,248	382,667
Movements in the period:		
Purchases at cost	140,596	99,709
Sales – proceeds	(123,565)	(122,957)
– (losses)/gains on sales	(10,256)	17,411
Movement in investment holding gains	(22,625)	(50,582)
Closing fair value	310,398	326,248
Closing book cost	307,618	300,843
Closing investment holding gains	2,780	25,405
Total closing investments classified at fair value	310,398	326,248

Notes to the Consolidated Financial Statements continued

	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Transaction costs:		
Costs on acquisitions	554	352
Costs on disposals	82	119
	636	471

	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Analysis of capital gains/(losses)		
Realised (losses)/gains on sales	(10,256)	17,411
Movement in unrealised gains	(22,625)	(50,582)
	(32,881)	(33,171)

Fair Value Hierarchy

Financial assets of the Group are carried in the Balance Sheet at their fair value or approximation of fair value. The fair value is the amount at which the asset could be sold in an ordinary transaction between market participants, at the measurement date, other than a forced or liquidation sale. The Group measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

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

Level 1 – Valued using quoted prices, unadjusted in active markets for identical assets and liabilities.

Level 2 – Valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in level 1.

Level 3 – Valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The table below sets out the fair value measurement of financial assets and liabilities in accordance with the fair value hierarchy.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 31 May 2020				
Equity Investments	304,590	1,420	-	306,010
Derivative contracts	-	-	-	-
Fixed interest bearing securities	-	4,388	-	4,388
	304,590	5,808	-	310,398

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss at 31 May 2019				
Equity Investments	318,940	-	-	318,940
Derivative contracts	6,313	-	-	6,313
Fixed interest bearing securities	1,769	5,539	-	7,308
	327,022	5,539	-	332,561

The Level 2 investments are at fair value calculated using observable inputs. The fair value is calculated using:

- the observable fair value on an inactive market;
- an intrinsic value above cost, allowing for the conversion value of the underlying, actively traded bid price where applicable; and
- where the unlisted convertible debt conversion value was not greater than par value (being 'out of the money') then held at par value being an approximation of fair value.

The fair value of Level 3 investments are based on discounted anticipated future cash returns.

	Year ended 31 May 2020 Level 3 £000	Year ended 31 May 2019 Level 3 £000
Opening fair value investments	-	4,404
Purchase at cost	-	-
Sale proceeds	-	(364)
Realised gains on sales	-	16
Transfer from Level 3 to Level 2	-	(4,056)
Movement in unrealised investment holding gains	-	-
Closing fair value of investments	-	-

Trading Income

The Company's subsidiary completes trading transactions. The value of assets held by the subsidiary as at 31 May 2020 was £nil (2019: £nil). The difference between the sale and purchase of assets is trading income recognised in the Income Statement.

Notes to the Consolidated Financial Statements continued

13. Derivative Contracts

	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Listed Put options at fair value through profit or loss at 31 May 2019		
Opening book cost	6,753	7,254
Opening investment holding loss	(440)	(2,876)
Opening total investments classified at fair value	6,313	4,378
Analysis of investment portfolio movements		
Opening fair value	6,313	4,378
Movements in the period:		
Purchases at cost	-	6,753
Sales – proceeds	(19,987)	(1,904)
– gains/(losses) on sales	13,234	(5,350)
Movement in unrealised loss	440	2,436
Closing fair valuation	-	6,313
Closing book cost	-	6,753
Closing unrealised loss	-	(440)
Closing fair value	-	6,313
Transaction costs:		
Costs on acquisitions	-	4
Costs on disposals	4	4
	4	8
Analysis of capital losses on options		
Realised gains/(losses) on sales	13,234	(5,350)
Movement in unrealised losses	440	2,436
	13,674	(2,914)

Derivative contracts

Typically, derivative contracts serve as components of the Group's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Company (the Company does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Group may hold from time to time or issue include: index-linked notes, contracts for differences, covered options and other equity-related derivative instruments.

Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments can involve a high degree of leverage and are very volatile. A relatively small movement in the underlying value of a derivative contract may have a significant impact on the profit and loss and net assets of the Group.

The Group's investment objective sets limits on investments in derivatives with a high risk profile. The Manager is instructed to closely monitor the Group's exposure under derivative contracts and any use of the derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Group's direct investments.

The Group purchases either Put or Call options through regulated exchanges and OTC markets. Options purchased by the Group provide the Group with the opportunity to purchase (Call options) or sell (Put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying value, which is their fair value.

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Company held no derivative positions as at year end.

14. Substantial Share Interests

The Company has notified interests in 3% or more of the voting rights of 18 (2019: 14) investee companies (none of which are closed-end investment funds). The Board does not consider any of the Company's other equity investments to be individually material in the context of the financial statements.

15. 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 registered office of the subsidiary is Beaufort House, 51 New North Road, Exeter, Devon EX4 4EP. The subsidiary is held at cost of £1 and has provided loans to the Company amounting to £985,000 at 31 May 2020 (2019: £900,000).

Notes to the Consolidated Financial Statements continued

16. Trade and Other Receivables

	Group		Company	
	31 May 2020 £000	31 May 2019 £000	31 May 2020 £000	31 May 2019 £000
Amounts due from brokers	399	3,193	399	3,193
Dividends receivable	1,643	1,730	1,643	1,730
Accrued income	77	83	77	83
Taxation recoverable	508	499	508	499
Prepayments and other debtors	90	82	90	82
	2,717	5,587	2,717	5,587

17. Trade and Other Payables

	Group		Company	
	31 May 2020 £000	31 May 2019 £000	31 May 2020 £000	31 May 2019 £000
Amounts due to brokers	2,551	–	2,551	–
Amounts due to subsidiary	–	–	985	900
Other creditors	370	403	370	403
	2,921	403	3,906	1,303

18. Capital Commitments and Contingent Liabilities

At 31 May 2020, there was one outstanding commitment of £1,420,000 (2019: £nil) and no contingent liabilities (2019: £nil).

19. Analysis of Financial Assets and Liabilities

Investment Objective And Policy

The Group's investment objective and policy are detailed on pages 89 and 90.

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

The Group's financial instruments comprise:

- shares and debt securities held in accordance with the Group's investment objective and policies;
- derivative instruments for efficient portfolio management, gearing and investment purposes;
- 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 risk), liquidity risk and credit and counterparty risk. The Group may enter into derivative contracts to manage 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 year.

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 and exposure are reviewed at each Board meeting.

The Group's exposure to other changes in market prices as at 31 May 2020 on its equity and debt investments and held at fair value through profit or loss was £310,398,000 (2019: £332,561,000).

A 10% increase in the market value of its investments at 31 May 2020 would have increased net assets attributable to shareholders by £31,040,000 (2019: £33,256,000). An equal change in the opposite direction would have decreased the net assets and net profit 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 revolving credit facility. The Group's financial assets and liabilities, excluding short-term debtors and creditors, may include investment in fixed interest securities, such as UK corporate debt stock, whose fair value may be affected by movements in interest rates. The majority of the Group's financial assets and liabilities, however, 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. There was limited exposure to interest bearing liabilities during the year ended 31 May 2020 (2019: same).

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 detailed on page 14, at 31 May 2020 the Company held three (2019: five) fixed income securities representing 1.3% of the total investment portfolio (2019: 2.0%).

Notes to the Consolidated Financial Statements continued

The interest rate profile of the Group (excluding short-term debtors and creditors) was as follows:

As at 31 May 2020	Weighted average interest rate %	Floating rate £000	Fixed rate £000
Assets and liabilities			
Fixed interest securities	8.00	-	4,388
Cash at bank	-	25,816	-
		25,816	4,388

As at 31 May 2019	Weighted average interest rate %	Floating rate £000	Fixed rate £000
Assets and liabilities			
Fixed interest securities	7.90	-	7,308
Cash at bank	-	27,495	-
		27,495	7,308

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The weighted average fixed interest rate is based on the current yield of each asset, weighted by its current market value. The maturity dates and nominal interest rates on these investments held at fair value through profit or loss are shown in the portfolio information on page 14. The weighted average years to maturity are 1.69 years (2019: 2.16 years).

The floating rate assets consist of cash deposits on call earning interest at the prevailing market rates.

The interest rate risk sensitivity of the Group on its floating rate assets and liabilities is given below:

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net assets and profit for the year ended 31 May 2020 would increase/decrease by £129,000 (2019: increase/decrease by £137,000). This is attributable to the Group's exposure to interest rates on its floating rate cash balances and bank overdraft as at the year ended 31 May 2020. If there was a fall in interest rates it would potentially impact the Company as above, by turning positive interest to negative interest.

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. Any income denominated in a foreign currency is converted into sterling upon receipt. 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

Liquidity risk is not considered to be significant as the Group's assets primarily comprise cash and 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.

The maturity profile of the Group's financial liabilities of £370,000 (2019: £403,000) are all due in one year or less.

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Group suffering a loss.

The maximum exposure to credit risk as at 31 May 2020 was £28,533,000 (2019: £39,395,000). The calculation is based on the Group's credit risk exposure as at 31 May 2020.

Group's listed investments are held on its behalf by Bank of New York Mellon acting as the Group's custodian. The Depositary will ensure that all accounts are segregated. 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.

Where the Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed to minimise the risk to the Group of default.

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 and the adoption of the expected credit loss model for impairment under IFRS 9 has not had a material impact on the Company.

Derivatives

The Manager may use derivative instruments in order to 'hedge' the market risk of part of the portfolio. The Manager reviews the risks associated with individual investments and, where they believe it appropriate, may use derivatives to mitigate the risk of adverse market (or currency) movements. The Manager discusses regularly the hedging strategy with the Board.

Notes to the Consolidated Financial Statements continued

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 certain derivative instruments. There were no borrowings as at 31 May 2020 (2019: £nil). Also, as a public company the minimum share capital is £50,000.

	2020 £000	2019 £000
The Company's capital at 31 May comprised:		
Debt:		
Bank loan facility	-	-
Equity:		
Equity share capital	434	434
Retained earnings and other reserves	335,576	364,806
Total shareholders' funds	336,010	365,240
Debt as a % of net assets	0.00%	0.00%

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.

20. Transactions with the Manager and Related Parties

The amounts paid to the Manager pursuant to the Management Agreement are disclosed in note 3. Management fees for the year amounted to £2,978,000 (2019: £3,600,000).

As at the year end, the following amounts were outstanding in respect of management fees: £232,000 (2019: £292,000).

Fees paid to the Company's Directors are disclosed in the Directors' Remuneration Report. At the year end, there were no outstanding fees payable to Directors (2019: £nil).

There were no other identifiable related parties at the year end.

21. Post Balance Sheet Events

As detailed in note 9, the Company received redemption requests for 20,243,942 ordinary shares in respect of the 29 May 2020 Redemption Point. These shares were redeemed and cancelled by the Company with effect from 12 June 2020.

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 or the Company may arrange for such shares to be sold in the market at the NAV (including current period revenue) (the "Dealing Value") prevailing at the end of May (subject to the Directors' discretion). The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any redemption point by reference to a separate Redemption Pool, when the Redemption Price will be calculated by reference to the amount generated upon the realisation of the 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.

A redemption of ordinary shares may be subject to either income tax and/or capital gains tax. In particular, private shareholders that sell their shares via the redemption mechanism could find they are subject to income tax on the gains made on the redeemed shares rather than the more usual capital gains tax on the sale of their shares in the market. However, individual circumstances do vary, so shareholders who are in any doubts about the redemption or the action that should be taken should consult their stockbroker, accountant, tax adviser or other independent financial adviser.

The relevant dates for the May 2021 Redemption Point are:

29 April 2021	Latest date for receipt of Redemption Requests and certificates for certificated shares
3.00 pm on 29 April 2021	Latest date and time for receipt of Redemption Requests and TTE (transfer to escrow) instructions for uncertificated shares via CREST
5.00 pm on 28 May 2021	The Redemption Point
On or before 11 June 2021	Company to notify Redemption Price and dispatch redemption monies; or If the redemption is to be funded by way of a Redemption Pool, Company to notify the number of shares being redeemed. Notification of Redemption Price and dispatch of redemption monies to take place as soon as practicable thereafter
On or before 25 June 2021	Balance certificates to be sent to shareholders

Further details of the redemption facility are set out in the Company's Articles of Association, or are available from the Company Secretary.

Shareholder Information

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 and non-voting management shares of £1 each. From time to time, the Company may issue C ordinary shares of 1p each with one vote per share.

The Company's shares have the following rights:

Voting: the ordinary and C shares have equal voting rights. At shareholder meetings, members present in person or by proxy have one vote on a show of hands and on a poll have one vote for each share held. Management shares are non-voting.

Dividends: the assets of the ordinary and C shares are separate and each class is entitled to dividends declared on their respective asset pool. The management shares are entitled to receive, in priority to the holders of any other class of shares, a fixed cumulative dividend equal to 0.00001p per annum.

Capital: if there are any C shares in issue, the surplus capital and assets of the Company shall, on a winding-up or on a return of capital, be applied amongst the existing ordinary shareholders and the management shareholders pro rata according to the nominal capital paid up on their holdings after having deducted therefrom an amount equivalent to the assets and liabilities relating to the C shares, which amount shall be applied amongst the C shareholders pro rata according to the nominal capital paid up on their holdings of C shares.

When there are no C shares in issue, any surplus shall be divided amongst the ordinary shareholders and management shareholders pro rata according to the nominal capital paid up on their holdings of ordinary shares and management shares.

In each instance, the holders of the management shares shall only receive an amount up to the capital paid up on such management shares and the management shares shall not confer the right to participate in any surplus remaining following payment of such amount.

As at the date of this Report, there were 358,045,105 ordinary shares in issue, none of which were 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 9 to the financial statements. Details of the redemption facility are set out on page 88.

Investment Objective

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

Investment Policy

The Company invests primarily in UK-quoted or traded 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 adopts a stock specific approach in managing the Company's portfolio and therefore sector weightings are of secondary consideration. As a result of this approach, the Company's portfolio does not track any benchmark index.

Shareholder Information continued

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 100 and 180 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 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 LSE.

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

Historic Dividend Record

Period/year ended 31 May:	2012 pence	2013 pence	2014 pence	2015 pence	2016 pence	2017 pence	2018 pence	2019 pence	2020 pence
First interim dividend	0.30	0.30	0.30	0.40	0.65	0.70	0.75	0.80	0.85
Second interim dividend	0.50	0.50	0.50	0.50	0.65	0.70	0.80	0.85	0.90
Third interim dividend	0.46	0.46	0.50	0.50	0.75	0.80	0.85	0.90	0.90
Fourth interim dividend	0.76 ¹	0.84	0.95	1.00	–	–	–	–	–
Final dividend	–	–	–	0.50	0.75	0.80	1.00	1.10	1.05 ³
Special dividend	–	–	–	–	–	0.40 ⁴	0.23 ⁴	0.16 ⁴	–
	2.02	2.10	2.25	2.90 ²	2.80	3.40	3.63	3.81	3.70

¹ The fourth interim dividend for the period ended 31 May 2012 was 0.93p but this included the benefit of the initial 13-month period. As shown above, on an annualised basis, the fourth interim dividend would have been 0.76p.

² In order to allow shareholders to vote on the dividend, a final dividend was introduced in the year ended 31 May 2015, resulting in the payment of five dividends for that year. Since then, the Company has paid three interim dividends and a final dividend in respect of each year. There was no interruption in the dividend payment timetable as a result of this change.

³ Proposed.

⁴ A special dividend was paid for the years ended 31 May 2017, 31 May 2018 and 31 May 2019, reflecting years when many special dividends were also paid by the companies in the portfolio.

Share Dealing

Shares can be traded through your usual stockbroker.

Share Register Enquiries

The register for the ordinary shares is maintained by Link Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK will be charged at the applicable international rate). Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Asset Services, Shareholder Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Electronic Communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's annual report, half-yearly report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details on this page. Please have your investor code to hand.

Share Capital and Net Asset Value Information

Ordinary 0.1p shares	358,045,105
SEDOL Number	B65TLW2
ISIN Number	GB00B65TLW28

The Company releases its NAV per share daily to the LSE.

Shareholder Information continued

Share Prices

The Company's shares are listed on the LSE under 'Investment Trusts'. The share price is available on the website, www.mitongroup.com/dit.

Annual and Half-Yearly Reports

Copies of the Annual and Half-Yearly Reports are available on the Company's website, www.mitongroup.com/dit, or from the Secretary on telephone number 01392 477500 or diverse_cosec@linkgroup.co.uk.

Manager: Premier Portfolio Managers Limited

The Company's Manager is Premier Portfolio Managers Limited, a wholly-owned subsidiary of Premier Miton Group plc. Premier Miton Group is listed on AIM.

As at 30 June 2020, Premier Miton Group managed £10.3bn of assets under management.

Members of the fund management team invest in their own funds and are significant shareholders in Miton Group.



Investor updates in the form of monthly factsheets are available from the Company's website, www.mitongroup.com/dit.

Association of Investment Companies

The Company is a member of the AIC.

Financial Calendar

August 2020	Announcement of annual results Payment of third interim dividend
October 2020	Annual General Meeting
November 2020	Half-year end Payment of final dividend
January 2021	Announcement of half-yearly results
February 2021	Payment of first interim dividend
May 2021	Year end Payment of second interim dividend Redemption Point

Retail Investors advised by IFAs

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

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Service and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares in The Diverse Income Trust plc (the "Company"), please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ninth ANNUAL GENERAL MEETING of The Diverse Income Trust plc will be held on Wednesday, 14 October 2020 at 11.30 am at the offices of Premier Miton, Eastgate Court, High Street, Guildford, GU1 3DE to consider and vote on the Resolutions below.

At the date of this notice it is uncertain whether, under Government guidance, larger gatherings will be permitted on the date of the AGM and whether temporary provisions regarding AGM arrangements set out in Schedule 14 of the Corporate Insolvency and Governance Act will be extended past the current end date of 30 September 2020. The Company is making provisions for all eventualities and will keep shareholders updated on any material developments in the usual way, via RNS. In the light of the uncertainties surrounding the ongoing pandemic, the Company encourages Shareholders to carefully consider whether it is appropriate to attend the meeting in person and to submit their vote electronically or to appoint the Chairman as their proxy with their voting instructions. Each of the resolutions to be considered at the AGM will be voted on by way of a poll. There will be no Company presentation or Q&A session during the AGM. Shareholders can pose questions to the Board and/or Investment Manager through emailing diverse_cosec@linkgroup.co.uk. Responses to any questions received by 6 October 2020 will be provided on the Company's website: www.mitongroup.com/dit before 12 October 2020.

Resolutions 1 to 12 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 13 to 15 (inclusive) will be proposed as Special Resolutions.

		Resolution on form of proxy
1	To receive and adopt the Strategic Report, Reports of the Directors and Auditor and the audited financial statements for the year ended 31 May 2020.	Resolution 1
2	To receive and approve the Directors' Remuneration Report for the year ended 31 May 2020.	Resolution 2
3	To approve the Directors' Remuneration Policy.	Resolution 3
4	To re-elect Mr Bell as a Director of the Company.	Resolution 4
5	To re-elect Mr Craig as a Director of the Company.	Resolution 5
6	To re-elect Ms Kemsley-Pein as a Director of the Company.	Resolution 6
7	To elect Ms McGrade as a Director of the Company.	Resolution 7
8	To re-elect Mr Thomson as a Director of the Company.	Resolution 8
9	To appoint BDO LLP as the 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 9
10	To authorise the Audit Committee to determine the remuneration of the Auditor of the Company.	Resolution 10
11	To declare a final dividend of 1.05p per ordinary share for the year ended 31 May 2020.	Resolution 11

Notice of Annual General Meeting continued

Resolution on
form of proxy

12	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 ordinary shares of 0.1 pence each in the capital of the Company ("ordinary shares") up to an aggregate nominal amount of £35,804 (being approximately 10% of the issued ordinary 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 2021 (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 ordinary shares to be allotted after the expiry of the Section 551 period and the Directors may allot ordinary shares in pursuance of such offers or agreements as if the authority had not expired.	Resolution 12
13	THAT: Subject to the passing of Resolution 12, the Directors be and they are hereby empowered, in accordance with Sections 570 and 573 of the Companies Act 2006 ("the Act"), to allot ordinary shares of 0.1 pence each in the capital of the Company ("ordinary shares") for cash pursuant to the authority conferred on the Directors by Resolution 12 above, and to sell ordinary shares from treasury for cash as if Section 561(1) of the Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £35,804 (being approximately 10% of the issued ordinary share capital of the Company at the date of this Notice), such power to expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 (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 or enter into an agreement which would or might require ordinary shares to be allotted or sold after the expiry of such power and the Directors may allot or sell ordinary shares in pursuance of such an offer or agreement as if such power had not expired.	Resolution 13
14	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 Companies Act 2006 ("the Act")) of ordinary shares of 0.1p each in the capital of the Company ("ordinary shares") provided that: a) the maximum number of ordinary shares hereby authorised to be purchased is 53,670,961 (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 2021; 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.	Resolution 14
15	THAT: A general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.	Resolution 15

By order of the Board

Link Alternative Fund Administrators Limited, Secretary
Registered Office: Beaufort House, 51 New North Road, Exeter EX4 4EP
17 August 2020

Explanatory Notes to the Notice of Meeting

In normal circumstances, you as a Shareholder have the right to attend, speak and vote at the forthcoming AGM or at any adjournment(s) thereof. However, the continuing COVID-19 pandemic has led to restrictions on public gatherings. In addition, the temporary provisions of the Corporate Insolvency and Governance Act 2020 have removed shareholders' right to attend a meeting in person, to participate other than by voting or to vote by particular means. The provisions of the Corporate Insolvency and Governance Act 2020 are set to expire on 30 September 2020, but it is possible that these restrictions will remain in place during October 2020. Therefore, in order to exercise all or any of these rights, you should read the following explanatory notes to the business of the AGM.

Note 1: To be entitled to vote at (and, should the circumstances allow, attend) 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 close of business on 12 October 2020 (or in the event that the meeting is adjourned, only those shareholders registered on the register of members of the Company as at close of business on the day which is 48 hours prior to the adjourned meeting). 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. At the AGM, all votes will be taken by a poll rather than on a show of hands. A member present in person or by proxy shall have one vote on a show of hands.

Any question relevant to the business of the AGM may be asked by 6 October 2020 by emailing diverse_cosec@linkgroup.co.uk. Responses will be provided on the Company's website: www.mitongroup.com/dit by 12 October 2020.

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. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to any hard copy form of proxy (if applicable). Given the likely restrictions on attending the AGM, the Board encourages shareholders to appoint the Chair of the meeting as their proxy with their voting instructions.

A member may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to different shares held by that member. A member may not appoint more than one proxy to exercise rights attached to any one share. However, given the likely restrictions on attending the AGM, the Board encourages shareholders to appoint the Chair of the meeting as their sole proxy.

A member may instruct their proxy to abstain from voting on any resolution to be considered at the AGM by marking the 'Vote Withheld' option when appointing their proxy. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.

The appointment of a proxy in itself will not prevent a member from attending the AGM and voting in person if he/she so wishes and if circumstances allow. If you have appointed a proxy and vote at the AGM in person in respect of shares for which you have appointed a proxy, your proxy appointment in respect of those shares will automatically be terminated.

In order for a proxy appointment to be valid, your appointment must be received no later than 11.30 am on 12 October 2020 (being 48 hours prior to the meeting excluding non-working days).

Notice of Annual General Meeting continued

Note 3: Members may appoint a proxy online at www.signalshares.com (the "Website") by following the on-screen instructions, in particular at the 'Proxy Voting' link, by no later than the deadline set out in note 2 above. In order to appoint a proxy using the Website, members will need to log into their Signal Shares account or register if they have not previously done so. To register, members will need to identify themselves with their Investor Code, which is detailed on their share certificate or available from the Company's Registrar, Link Asset Services, on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Note 4: You may request a hard copy form of proxy directly from the Registrar, Link Asset Services, on Tel: 0371 664 0300 or by emailing enquiries@linkgroup.co.uk.

To be effective, the completed and signed form of proxy must be lodged at the offices of Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) by no later than the deadline set out in note 2 above. Alternatively, you may send any document or information relating to proxies to the electronic address indicated on the form of proxy.

To appoint more than one proxy using a hard copy form of proxy, you may photocopy the form of proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If possible, all forms should be returned together in the same envelope.

Note 5: 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.

Note 6: In the case of joint holders of a share, where more than one of the joint holders purports to appoint a proxy (in hard copy, by electronic means or through CREST), the vote of the senior holder who tenders a vote 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. For a proxy appointment submitted by hard copy, the signature of only one of the joint holders is required on the form of proxy.

Note 7: To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see note 2) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

Note 8: In order to revoke a proxy instruction, you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or a duly appointed attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services no later than 11.30am on 12 October 2020. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, then your proxy appointment will remain valid.

Note 9: A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 ("the Act") 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 AGM. 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.

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 10: As at 14 August 2020 (being the last business day prior to the publication of this notice), the Company's total number of voting rights amounted to 358,045,105 ordinary shares carrying one vote each.

Note 11: Any corporation which is a member may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. To be able to attend and vote at the meeting, corporate representatives will be required to produce prior to their entry to the meeting evidence satisfactory to the Company of their appointment.

Note 12: Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Act, 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 AGM; 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 Act. 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 Act. Where the Company is required to place a statement on a website under Section 527 of the Act, 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 AGM includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

Notice of Annual General Meeting continued

Note 13: In accordance with Section 319A of the Act, 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.

As there is a possibility that shareholders will not be permitted to attend the meeting in person due to Government guidance, and to ensure that the meeting is conducted as efficiently as possible, shareholders are encouraged to submit any questions in advance of the meeting via email, as detailed in note 1.

Note 14: Members satisfying the thresholds in Section 338 of the Act may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. 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 AGM.

Note 15: Members satisfying the thresholds in Section 338A of the Act may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM 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 AGM.

Note 16: The Annual Report incorporating this Notice of AGM 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.mitongroup.com/dit.

Note 17: 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 and can be requested from the Company Secretary 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. In the event that shareholders will not be permitted to attend the AGM in person, a copy of the letters of appointment can be requested from the Company Secretary at diverse_cosec@linkgroup.co.uk.

Note 18: You may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated.

Alternative Investment Fund Managers' Directive Disclosures

The AIFMD requires certain information to be made available to investors in Alternative Investment Funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within a Pre-Investor Information Document ("PIID") which can be found on the Company's website: www.mitongroup.com/dit.

Remuneration

Premier Portfolio Managers Limited (the "Firm") is required in this Annual Report to make certain disclosures in respect of remuneration paid to its staff. The following disclosures are made in line with the Firm's interpretation of currently available regulatory guidance on remuneration disclosures.

The total amount of remuneration paid (or to be paid) by the Firm to its staff in respect of the financial year ending 31 December 2019 has been attributed (using an objective apportionment methodology) to Diverse, for which the Firm acts as the AIFM. The amount of the total remuneration paid (or to be paid) by the Firm to its staff which has been attributed to Diverse in respect of the financial year ending 31 December 2019 is £1,988,117. This figure is comprised of fixed remuneration of £833,357 and variable remuneration of £1,154,760.

There were a total of five beneficiaries of the remuneration described above.

The amount of the aggregate remuneration paid (or to be paid) by the Firm to its senior management which has been attributed to Diverse in respect of the financial year ending 31 December 2019 was £1,988,117. For the year ended 31 December 2019, the Firm delegated investment management activity to Miton Asset Management Limited and therefore there are no members of staff whose actions have a material impact on the risk profile of Diverse.

Remuneration Policy of the Firm

The Firm is authorised and regulated by the FCA as an AIFM and as such must comply with the rules contained in the FCA's AIFM Remuneration Code within SYSC 19B in a manner that is appropriate to its size, internal organisation and the nature, scope and complexities of its activities.

Staff included in the aggregated figures disclosed above are rewarded in line with the Firm's remuneration policy (the "Remuneration Policy"), which is determined and implemented by the remuneration committee (comprising senior executives and non-executives of Miton Group plc) and is subject to independent review. The Remuneration Policy reflects the Firm's ethos of good governance and encapsulates the following principal objectives:

- (i) to provide a clear link between remuneration and performance of the Firm and to avoid rewarding for failure;
- (ii) to promote sound and effective risk management consistent with the risk profiles of the Alternative Investment Funds ("Funds") managed by the Firm; and
- (iii) to remunerate staff in line with the business strategy, objectives, values and interests of the Firm and the Funds managed by the Firm in a manner that avoids conflicts of interest.

The Firm assesses performance for the purposes of determining payments in respect of performance-related remuneration by reference to a broad range of measures, including: (i) individual performance (using financial and non-financial criteria); (ii) performance of the business unit or relevant Fund for which the individual provides services; and (iii) the overall performance of the Firm. Assessment of performance is set within a multi-year framework, reflecting the cycles of the relevant Fund, to ensure the process is based on longer-term performance and spread over time.

Alternative Investment Fund Managers' Directive Disclosures

continued

The elements of remuneration are balanced between fixed and variable and the management function sets fixed salaries at a level sufficient to ensure that variable remuneration incentivises and rewards strong performance but does not encourage excessive risk taking.

The Firm operates a discretionary bonus scheme.

The Firm is entitled to disapply the requirements of SYSC 19B in relation to deferral and payment of remuneration in instruments, therefore, due to the Firm's size, internal organisation and the nature, scope and complexities of its activities the Firm does not currently operate deferral of remuneration.

Mechanisms are in place to ensure that remuneration does not reward failure, whether on the early termination of a contract or otherwise.

No individual is involved in setting his or her own remuneration.

Leverage

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated under the Gross and Commitment Methods, in accordance with AIFMD. Under the Gross Method, exposure represents the sum of the Company's positions without taking account of any netting or hedging arrangements. Under the Commitment Method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company is required to state its maximum permitted leverage limit and actual level of leverage, as prescribed by the AIFMD. This gives the following figures:

Leverage exposure	Gross Method	Commitment Method
Maximum Level	200%	200%
Actual Level	0%	0%

Glossary

AIC

The Association of Investment Companies.

AIM

The Alternative Investment Market is a sub-market of the London Stock Exchange. It allows smaller companies to float shares with a more flexible regulatory system than applicable to the main market.

Alternative Performance Measure ("APM")

An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The Company uses a number of APMs to provide information in order to assist the Board and Manager in monitoring the Company in order for them to meet the objectives of the Company including the management of risk. These consist of, but are not limited to, key performance and financial performance indicators set out in the various relevant parts of the Report.

Annual General Meeting ("AGM")

All public companies have an AGM every year, and this is the opportunity for the shareholders to confirm their approval of the annual report and financial statements, the annual dividend and the appointment of the Directors and Auditor. It is also a good time for shareholders to meet the non-executive Directors. The Company's AGM will be held on Wednesday, 14 October 2020 at 11.30 am at the offices of Premier Miton, Eastgate Court, High Street, Guildford, GU1 3DE. A presentation by the fund managers on the current position of the Company's portfolio and some thoughts on the market outlook will be made available on the Company's website before 12 October 2020.

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, this situation is called a premium.

Premium/(Discount) Calculation	Page	31 May 2020	31 May 2019	
Closing NAV per share (p)	6	88.82	95.17	(a)
Closing share price (p)	6	84.00	89.00	(b)
(Discount)/Premium (c = ((b - a)/a) × 100) (%)	6	(5.43)	(6.48)	(c)

The discount/premium and performance is calculated in accordance with guidelines issued by the AIC. The discount/premium is calculated using the NAV per share inclusive of accrued income with debt at market value.

Dividend Yield

The annual dividend expressed as a percentage of the mid market share price. This financial ratio shows how much an investment pays out in dividends relative to its stock price. The dividends are based upon historic dividend rates and announcements by the investment company. The dividend yield indicates the anticipated future cashflows from the investment contributing to the income of the Group.

Financial Conduct Authority ("FCA")

This regulator oversees the fund management industry, including the operation of the Company.

Financial Reporting Council ("FRC")

The FRC regulates UK auditors and provides guidance to accountants with the aim of promoting better transparency and integrity in the annual reports of quoted businesses.

Glossary continued

Gearing

Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the shareholders' assets grow proportionately because the debt remains the same. If the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Group

The Company and its subsidiary; DIT Income Services Limited.

Growth Stock

A stock where the earnings are expected to grow at an above-average rate, leading to a faster than average growing share price. Growth stocks do not usually pay a significant dividend.

International Financial Reporting Standards ("IFRS") Generally Accepted Accounting Principles ("GAAP") are a common set of accounting principles, standards and procedures that companies follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. This enables the financial results of companies to be determined on a common basis so they are able to be compared.

In the UK, company accounts must be prepared in accordance with applicable company law, this being the Companies Act 2006, which recognises GAAP. IFRS are standards issued by the International Accounting Standards Board ("IASB"), approved for implementation by the European Union to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. These were previously International Accounting Standards ("IAS") maintained by the IASB. The Company adopted IFRS with the accounting policies of the Company set out in the financial statements.

Key Performance Indicators ("KPIs")

KPIs are a short list of corporate attributes that are used to assess the general progress of the business and are outlined in this Report on page 3.

Net Asset Value per Ordinary Share ("NAV")

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of ordinary shares in issue excluding treasury shares.

Ongoing Charges

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of the Company during the year.

		31 May 2020 £000	31 May 2019 £000	
Ongoing Charges Calculation	Page			
Management fee	61	2,978	3,600	
Other administrative expenses	61	840	781	
Less one time costs		(45)	(42)	
Total management fee and other administrative expenses		3,773	4,339	(a)
Average net assets in the year		346,694	374,922	(b)
Ongoing charges (c = a/b x 100) (%)		1.09	1.16	(c)

Peer Group

Diverse is part of the AIC's UK Equity Income Investment Trust sector. The trusts in this universe are defined as trusts whose investment objective is to achieve a total return for shareholders through both capital and dividend growth. Typically, the funds will have a yield on the underlying portfolio ranging between 110% and 175% of that of the FTSE All-Share Index. They will also have at least 80% of their assets in UK listed securities.

Put Option

Put options are most commonly used in the stock market to protect against the decline of the price of a stock below a specified price likened to purchasing a form of financial insurance. An owner of a Put option can collect a financial benefit after an adverse event, with the scale of the benefit proportionate to the setback in the market and the remaining term of the cover.

Senior Independent Director ("SID")

The SID is a non-executive director who can be contacted by investors to discuss a matter of governance when it concerns the Chairman and the normal practice cannot be followed. The Company's SID is currently Andrew Bell and he will be succeeded by Calum Thomson when he takes the position of Chairman of the Board.

Total Assets

Total assets include investments, cash, current assets and all other assets. An asset is an economic resource, being anything tangible or intangible that can be owned or controlled to produce value and to produce positive economic value. Assets represent the value of ownership that can be converted into cash. The total assets less all liabilities will be equivalent to total shareholders' funds.

Total Return – NAV and Share Price Returns

Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus dividend income reinvested by the Company at the prevailing NAV.

NAV Total Return	Page	31 May 2020	31 May 2019
Closing NAV per share (p)	6	88.82	95.17
Add back total dividends paid in the year ended 31 May 2020 (2019) (p)	74	3.91	3.73
Adjusted closing NAV (p)		92.73	98.90 (a)
Opening NAV per share (p)	6	95.17	105.09 (b)
NAV total return unadjusted (c = ((a – b)/b) × 100) (%)		(2.6)	(5.9) (c)
NAV total return adjusted %*		(2.5)	(5.9)

Share Price Total Return	Page	31 May 2020	31 May 2019
Closing share price (p)	6	84.00	89.00
Add back total dividends paid in the year ended 31 May 2020 (2019) (p)	74	3.91	3.73
Adjusted closing share price (p)		87.91	92.73 (a)
Opening share price (p)	6	89.00	107.00 (b)
Share price total return unadjusted (c = ((a – b)/b) × 100) (%)		(1.2)	(13.3) (c)
Share price total return adjusted %*		(1.2)	(13.6)

* Based on NAV/share price movements and dividends being reinvested at the relevant cum dividend NAV/share price during the year. Where the dividend is invested and the NAV/share price falls, this will further reduce the return or, if it rises, any increase will be greater. The source is Morningstar who have calculated the return on an industry comparative basis.

Volatility

The term volatility describes how much and how quickly the share price or net asset value of an investment has tended to change in the past. Those investments with the greatest movement in their share prices are known as having high volatility, whereas those with a narrow range of change are known as having low volatility.

Yield Stock

Yield stocks pay above-average dividends to shareholders. If the dividend grows, and the yield on the share remains constant, the share price will increase. Companies which grow their dividends faster than average are capable of delivering faster share price growth.

Contact Details of the Advisers

Secretary and Registered Office
Link Alternative Fund Administrators Limited
(trading as Link Asset Services)
Beaufort House
51 New North Road
Exeter EX4 4EP
Telephone: 01392 477500

Alternative Investment Fund Manager or Manager
Premier Portfolio Managers Limited
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Telephone: 020 3714 1525
Website: www.premiermiton.com

Company Website
www.mitongroup.com/dit

Auditor
Ernst & Young LLP*
25 Churchill Place
Canary Wharf
London E14 5EY

Banker
Bank of New York Mellon
One Piccadilly Gardens
Manchester M1 1RN

* Ernst & Young LLP will not seek re-appointment at the AGM on 14 October 2020, when shareholders will be asked to appoint BDO LLP as Auditor.

Depository and Custodian
The Bank of New York Mellon (International) Limited
One Canada Square
London E14 5AL

Registrar and Transfer Office
Link Asset Services
Shareholder Services Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0371 664 0300

(calls are charged at the standard geographic rate and will vary by provider; calls from outside the UK will be charged at the applicable international rate).

Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.

Email: enquiries@linkgroup.co.uk
Website: www.linkassetservices.com

Solicitor
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Stockbroker
Panmure Gordon
One New Change
London EC4M 9AF

Shareholder Warning

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These calls typically come from fraudsters operating in 'boiler rooms' offering investors shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. While high profits are promised, those who buy or sell shares in this way usually lose their money. These fraudsters can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

It is very unlikely that either the Company or the Company's Registrar would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you have been contacted by an unauthorised firm regarding your shares, you can report this using the FCA helpline on 0800 111 6768 or by using the share fraud reporting form at www.fca.org.uk/consumers/scams.

Total return for the year to 31 May 2020

The Diverse Income Trust NAV Total Return	-2.5%
FTSE All-Share Total Return	-11.2%

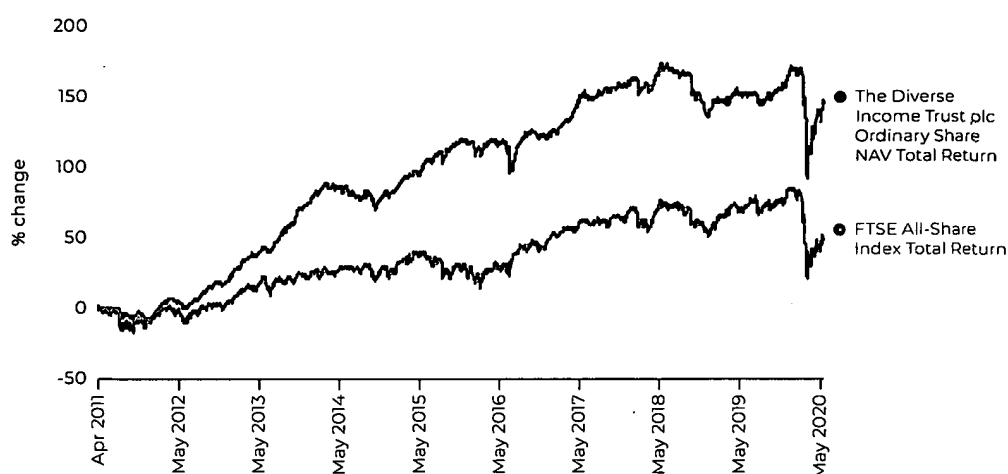
Source: Morningstar including dividend income reinvested.

Total return since launch on 28 April 2011

The Diverse Income Trust NAV Total Return	+145.6%
FTSE All-Share Total Return	+48.6%

Source: Morningstar including dividend income reinvested.

Company performance since launch on 28 April 2011



Source: Morningstar including dividend income reinvested.

Premier Miton
INVESTORS

Paternoster House
65 St Paul's Churchyard
London EC4M 8AB