

Dunedin Enterprise Investment Trust specialises in the provision of equity finance for management buyouts, management buyins and growing businesses.

The company's primary objective is to achieve substantial long-term growth in its assets through capital gains from its investments.

01	Objective	13	Ten Largest Investments
02	Financial Highlights	24	Analysis of Investments
03	Five and Ten Year Record	27	Directors' Report and Accounts
04	Chairman's Statement	50	Auditors' Report
06	Board of Directors	51	Summary of Manager's Incentive Scheme
07	Management Team	52	Information for Investors
08	Manager's Review	54	Notice of Annual General Meeting
12	Long Term Record	56	Financial Calendar

Merger with Group Trust

New investments of £38.1 million

Realisations totalling £11.5 million

Dividend increase of 10.8%

Continued strong dealflow in new year

3 Five Year Record

Record from 30 April 1997 to 30 April 2001



Net asset value (p)

'97: 295.7, '98: 333.7, '99: 376.2,
'00: 414.3, '01: 362.2.



Dividend (p)

'97: 9.1, '98: 10.0, '99: 11.0,
'00: 11.6, '01: 12.85.

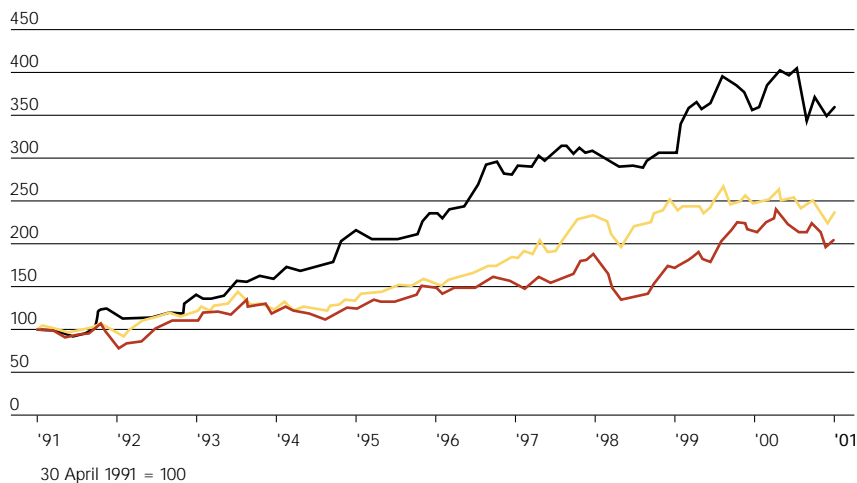


Share price (p)

'97: 254.5, '98: 276, '99: 277.5,
'00: 320.5, '01: 320.

Ten Year Record

Share price relative performance from 30 April 1991 to 30 April 2001



- Dunedin Enterprise
- FTSE All Share Index (excluding investment companies)
- FTSE Small Cap Index (excluding investment companies)

“The merger with Group Trust will provide a more diversified portfolio and a larger shareholder base”.

The year under review has been one of mixed fortunes. Adverse trading in some of the portfolio companies resulted in the first reduction in net asset value since 1993. Conversely, investments totalling £38.1 million were made during the year.

Subsequent to the year end, the bid for Group Trust plc (“Group Trust”) announced on 9 April 2001, was successfully concluded. This has the effect of increasing Dunedin Enterprise's net assets from £86.5 million to £116 million. The merger with Group Trust will provide a more diversified portfolio and a larger shareholder base and will, I believe, be beneficial to shareholders in both companies. I warmly welcome Group Trust shareholders as shareholders of Dunedin Enterprise.

Results and Dividend

Net assets fell by 12.6% from £99.0 million at 30 April 2000 to £86.5 million at 30 April 2001. The reported net asset value at 31 March 2001, issued in connection with the Group Trust transaction, was £91.5 million. The reduction in valuation over the past month results from a further provision for the investment in UniPoly S.A. of £1.5 million, a reduction in the value of quoted holdings of £1.1 million and a provision for the final dividend of £2.4 million.

Total realisations amounted to £11.5 million, the most significant sale being that of Golden Wonder Holdings Limited which raised £7.4 million representing £1.9 million over valuation and £5.4 million over the original cost of the investment, giving an annual internal rate of return (“IRR”) of 38.5%.

Reductions in value totalled £18.9 million. As at 31 March 2001, shareholders were informed of reductions in the

value of three investments: Motherwell Bridge Holdings Limited, UniPoly S.A. and LDV Limited. At that date a provision of £4.5 million was made against the investment in Unipoly S.A.. At 30 April 2001, a further provision of £1.5 million was made against the balance of the investment, representing the total cost of the investment. The provision is required as current trading at the company is proving difficult. Over the year there was a reduction in the value of listed holdings amounting to £3.8 million. These provisions and reductions are by no means representative of the performance of the majority of the portfolio which continues to perform well.

Profit after taxation increased from £2.99 million to £3.27 million, an increase of 9.5%. Your board declared an interim dividend of 2.85p per ordinary share in December 2000 and a final payment of 10.0p is proposed, giving a total of 12.85p for the year. This compares to a total payment of 11.6p for last year and represents an increase of 10.8% over the year.

The dividend has increased every year since 1993 and the increase over this period has been 221.25%. As I warned last year, because of the nature of the investments which Dunedin Enterprise makes, income can fluctuate and the recent dividend record should not be taken as a guide for the future. However, on current evidence, the dividend will be at least maintained this year.

Investment Activity

Notwithstanding the mixed performance on the stock market, the private equity market continues to outperform other asset classes. Deal flow in the medium sized deal market in which Dunedin Enterprise operates, returned

“The new investments are performing satisfactorily and should contribute materially to a growth in asset value over the next few years”.

to the high levels experienced in 1998 and prices firmed as debt financing became harder to arrange.

The year under review was by far the most active in Dunedin Enterprise's history. Seven new investments were made at a total cost of £31.6 million and an additional £6.4 million was invested in existing companies. These new investments are performing satisfactorily and should contribute materially to a growth in asset value over the next few years.

Outlook

The acquisition of Group Trust is a milestone for Dunedin Enterprise. Increasing the asset base of the Trust will enable your managers to invest in a wider spread of companies.

The enlarged company will now have the capacity for further judicious gearing. Your board considers that gearing can enhance its performance and it is quite likely that net borrowings, which stood at £8.5 million at the year end, will increase in the current year as new investments are made.

The majority of portfolio companies continue to perform satisfactorily and the investments made during the course of the last year should begin to show through in performance terms in the current year. A number of new investments and sales are being evaluated and a better year is expected.

Shareholders

Your board is very conscious of the loyalty of its shareholders, which now number 5,500. It has actively encouraged both institutional and private investors and they hold respectively 60% and 40% of the equity.

An active savings scheme is run on behalf of the company by Edinburgh Fund Managers plc, details of which are contained in the Report and Accounts. Following the acquisition of Group Trust, an additional 400 shareholders will be added to the company's existing shareholder base.

The Annual General Meeting will take place at 12 noon on 22 August 2001 in Saltire Court in Edinburgh. The directors and managers look forward to meeting you then.



Edward Dawnay, Chairman
13 June 2001

6 Board of Directors

Board of Directors

- 01 **Edward W Dawnay, FCA, (51) *#**
was appointed in 1995 and became chairman in 1999. He is chairman of one of Dunedin Enterprise's investments, Travel & General Holdings Limited. He is also deputy chairman of EFG Private Bank Limited, chairman of Treatt plc and a non-executive director of Martin Currie High Income Trust plc.
- 02 **Alexander S Dudgeon, MA, CA, (43) *#**
was appointed in 1998. He is chairman of Martin Currie Private Clients Limited and a director of Martin Currie Investment Management Limited. He is also a non-executive director of Man Alternative Investments Limited, a London-listed fund of hedge funds.
- 03 **Stefan G Kay, OBE, BSc, CEng, FI Mech.E, CI Mgmt, (56) *#**
was appointed in 1995. Until recently he was managing director of Inveresk plc and led the management buyout of that company in 1990. He is a non-executive director of Edinburgh Business School and Georgia-Pacific Britain LLC, and is a court member of Heriot-Watt University.
- 04 **Simon E C Miller, (48) #**
was appointed in 1999. He is chairman of Dunedin Capital Partners Limited ("DCP"). He is also chairman of Sigma Technology Group plc and Fleming Managed Income plc, and a non-executive director of Goshawk Insurance Holdings plc, Guardian IT plc, and Adam and Company plc.



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* Members of the Audit and Management Engagement Committee.

Members of the Nomination Committee.

7 Management Team



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Management Team

- 01 Brian Finlayson, Deputy Chairman
- 02 Ross Marshall, Managing Director
- 03 Duncan Macrae, Investment Manager
- 04 Nicol Fraser, Investment Director
- 05 Mark Ligertwood, Investment Manager
- 06 Brian Scouler, Director
- 07 Graeme Murray, Finance Manager
- 08 Shaun Middleton, Director
- 09 Graham Urquhart, Investment Manager
- 10 Claire McCorquodale, Marketing Manager
- 11 Dougal Bennett, Director

Dunedin Capital Partners Limited is an independent private equity company owned by its directors. The company specialises in providing equity finance for management buyouts ("MBO"), management buyins ("MBI") and growing businesses with a transaction size of £5–25 million. It operates throughout the United Kingdom from its offices in Edinburgh and London.

Dunedin Capital Partners is itself the result of a management buyout which took place in 1996. The team has recently doubled in size to 14 after an active year in 2000. In May 2001, Dunedin Capital Partners announced it was raising a £75 million buyout fund, which will co-invest alongside Dunedin Enterprise.

8 Manager's Review

There were a number of major features in the year to 30 April 2001. In performance terms, the year was adversely affected by the write-downs referred to below. Net assets fell from £99.0 million to £86.5 million in the year. The total return to shareholders for the year was -10.0% and over five years 70.9% compared with equivalent movements of -0.9% and 57.8% in the FTSE Small Cap Index (excluding investment companies). There were some useful gains throughout the portfolio including a number of realisations but the main feature in performance terms was the substantial write-downs in UniPoly S.A., and the listed holdings in particular. On a more positive note it was a very active year for new investment.

Asset Value Reduction

The asset value performance can be summarised as follows.

	£'m
Net assets at 30 April 2000	99.0
Unrealised value decreases	(18.9)
Unrealised value increases	6.1
Realised profit over opening valuation	2.3
Share repurchase, management fee charged to capital, interest charged to capital less retained profit for year	(2.0)
Net assets at 30 April 2001	86.5

The net asset value of £86.5 million compares to a net asset value at 31 March 2001 of £91.5 million. The reduction in valuation results from a further provision for the investment in UniPoly S.A. of £1.5 million as referred to below, a reduction in the value of quoted holdings of £1.1 million and a provision for the final dividend of £2.4 million.

Unrealised Value Decreases

Value decreases amounted to £18.9 million. The decreases are summarised in the table below.

Clearly, the most disappointing performance was in relation to UniPoly S.A., your company's worst investment to date, where a full provision has been made against the investment. £0.8 million of the reduction in investments held through the Legal & General Partnership Funds also relates to UniPoly S.A.. The UniPoly S.A. investment was made in 1997 and was a £620 million MBO of the polymer and building products division of BTR plc. The investment has failed to perform up to expectations for a number of years but there has been an acute under performance recently. While the board had already made a substantial provision against the investment at 31 March 2001, on review and in light of current trading, it was felt prudent to make a full provision now.

Blacks Leisure Group plc, which is listed on The Stock Exchange, has reported a poor trading performance over the past 12 months, compounded recently by the foot and mouth crisis, which is reflected in its share

Company	Valuation At		Valuation At 30 April 2001	Reduction in Value £'000
	Cost £'000	30 April 2000 £'000		
UniPoly S.A.	5,998	5,998	-	5,998
Blacks Leisure Group plc (listed)	99	4,578	2,328	2,250
Legal & General Partnership Funds	3,849	5,246	3,028	2,218
LDV Limited	168	2,003	-	2,003
Tally GmbH	1,118	1,911	327	1,584
Motherwell Bridge Holdings Limited	1,826	5,005	3,600	1,405
Latchways plc (listed)	180	8,820	7,612	1,208
Documedia Limited	5,167	4,167	3,000	1,167
Speciality Chemical Holdings Limited	943	500	-	500
Deep-Sea Leisure PLC (listed)	697	886	522	364
Others	2,019	4,786	4,632	154
	22,064	43,900	25,049	18,851

9 Manager's Review

price performance. However, following recent share price strength, the entire shareholding has now been sold for a consideration of £2.7 million, an uplift on the valuation at 30 April 2001 of £367,000.

A full provision against the investment in LDV Limited has been made. The original investment of £1 million was made in 1993 as part of a £6.5 million equity investment in the MBO of LDV Limited. The company's early record was good and some £2.7 million has been returned to Dunedin Enterprise in dividends together with £0.9 million in capital payments. Trouble at Daewoo, LDV Limited's partner in Korea, has resulted in uncertainty. A full provision has therefore been made. To date the investment has given Dunedin Enterprise an IRR of 62.9%.

The reduction in the value of the investment in Tally GmbH reflects poor trading during 2000. A stronger performance is expected in 2001 following major rationalisation of Tally GmbH's operations.

An investment was first made in Motherwell Bridge Holdings Limited in 1979. Total capital returns to date, representing Motherwell Information Systems, amount to £3.1 million. Whilst the business has substantially changed over recent years, the trading performance for the past five years has been disappointing and, following particular problems in the last 12 months, a further write-down has been made. A new chairman has

recently been appointed with the support of the institutional shareholders and an improvement in the performance of this investment is anticipated.

The share price of Latchways plc has fallen during the period, although, as recorded below, some shares were sold at a substantial profit. The reduction in the valuation of Documedia Limited reflects caution. The company is building up its infrastructure which has resulted in short-term under performance.

Realisations

There was one major realisation during the period and a number of smaller realisations as summarised in the table below. The major realisation during the period was the sale of Golden Wonder Holdings Limited, the snack and crisp manufacturer. An investment of £2 million was made in 1996 and the realisation resulted in proceeds being received of £7.4 million, a profit of £5.4 million over its original cost and an increase of £1.9 million over its valuation at 30 April 2000. The IRR on this investment was 38.5%. Advantage was taken of share price strength by realising part of the investment in Latchways plc. The profit over cost on this realisation is particularly impressive. SEEL Limited and Clyde Valley Control Systems Limited were long-standing investments which were both sold at a profit over cost and recent value.

Company	Cost £'000	Valuation At 30 April 2000 £'000	Proceeds Received £'000	Uplift Over Value £'000	Profit/(Loss) Over Cost £'000
Golden Wonder Holdings Limited	1,995	5,499	7,410	1,911	5,415
Latchways plc	34	1,687	1,955	268	1,921
Clyde Valley Control Systems Limited	72	50	150	100	78
SEEL Limited	349	698	716	18	367
Miscellaneous	1,387	1,309	1,314	5	(73)
	3,837	9,243	11,545	2,302	7,708

10 Manager's Review

Unrealised Value Increases

There were unrealised value increases in eleven companies totalling £6.1 million. The largest increase was in respect of John Wood Group PLC amounting to £2.0 million and reflects much better trading in 2000.

New Investment

Investments of £38.1 million were made during the year which represents a record for your company. These investments also represent 36.6% of gross assets at 30 April 2001. The investments can be broken down as follows:-

	Investment £'000	Type of Investment
New Companies:		
Goals Soccer Centres Limited	5,930	MBI
OSS Group Limited	5,168	Acquisition
Davenham Group Holdings Limited	4,960	MBO
Ehrmanns Holdings Limited	4,940	MBI/MBO
Blaze Signs International Limited	3,801	MBO
CRT Displays Group Limited	3,769	MBO
Letts Holdings Limited	3,069	MBO
Additions to existing investments:		
John Wood Group PLC	2,561	
Deep-Sea Leisure PLC	550	
Technology and buyout funds	3,310	
	38,058	

Two of the new investments, Ehrmanns Holdings Limited and OSS Group Limited were made shortly after the year end last year and were referred to in the 2000 Annual Report. The other five new investments are as follows:-

Dunedin Enterprise invested £5.0 million to support the £60 million management buyout of Davenham Group Holdings Limited. Davenham is a provider of niche, short-term lending products to growing businesses throughout the UK. It has particular expertise in trade finance, short-term property lending, leasing of specialised equipment and debt factoring. In the year to 30 June 2000, Davenham Group PLC had sales of £6.5 million, net profit after tax of £2.1 million and employed 39 people at its offices in Manchester.

Dunedin Enterprise supported the £14 million management buyout of Blaze Signs International

Limited with a £3.8 million investment. Founded in 1981, it manufactures, distributes and installs signs for blue chip retailers including Halfords, Virgin, Warner Village, HSBC, Halifax, Yamaha and Arcadia. Last year Blaze Group Holdings Limited had a turnover of £13 million and an operating profit of £1.5 million. It employs 190 staff at its factories in Broadstairs, Kent and Birmingham.

Dunedin Enterprise invested £3.1 million to support the £17.3 million management buyout of Letts Holdings Limited. Letts supplies desk and pocket diaries to retailers, wholesalers and a wide range of corporate customers, including the Financial Times. Letts has annual sales of £25 million and employs 400 staff on the outskirts of Edinburgh. Around one fifth of its sales come from overseas, with exports to over 75 countries.

11 Manager's Review

Dunedin Enterprise invested £3.8 million to support the £12.5 million management buyout of CRT Displays Group Limited. CRT is one of the UK's leading distributors of computer-compatible projectors and audiovisual equipment. CRT distributes a range of computer projectors manufactured by three brand leaders; Epson, Sony and Sharp. The company has recently obtained distribution rights to sell Fujitsu Plasma Display units, the brand leaders in a market expected to double in size in the next twelve months. In the year to 31 January 2000, the company had sales of £14.7 million, an operating profit of £1.2 million and employed 37 staff in its offices in Glasgow and Bramley, Surrey.

Dunedin Enterprise invested £5.9 million to support the management buyin of Goals Soccer Centres Limited, a five-a-side football business. Goals is the second largest five-a-side football operator in the United Kingdom and currently has five sites in Aberdeen, Shawlands and Clydebank in Glasgow, and Wembley and Dagenham in London. It is intended to increase the operation to 15 sites. In 2000, Goals had a turnover of £1.7 million and an operating profit of £0.7 million.

In addition to the above, a further £5.0 million was invested in six portfolio companies. The most significant investment of £2.6 million was to support John Wood Group PLC's US\$ 112 million acquisition of Houston based Mustang Oil Inc. In the year to 31 December 2000, the Wood Group had sales of US\$ 1,062 million and made a net profit after tax of US\$ 23.8 million.

Your chairman, in his statement in the last Annual Report, referred to investment in technology companies. Whilst the froth has come off some of the more unsustainable valuations in the sector, your board consider that a modest exposure to this high-growth part of the economy is appropriate and may provide opportunities for attractive investments in the future. Consequently, commitments have been made to four specialist technology funds.

A £2 million commitment was made to the First Cambridge Gateway Fund which will invest in companies, principally in the East Anglian region, in the communications, information technology and life sciences sectors.

A €5 million commitment was made to Add One L.P. based in London, which will invest in high growth

companies in the information technology and communications sectors. The fund has a pan-European focus with particular emphasis on the UK, Germany, France and Scandinavia.

A €2 million commitment was made to London-based Alta Berkeley VI C.V. which will invest in companies in the communications, information technology, media and healthcare sectors across Europe.

A £2 million commitment was made to the London-based Advent Private Equity Fund III. This will invest in the information technology, communications and healthcare sectors, principally in the UK.

Your company's commitment to these funds totalled £8.3 million at 30 April 2001, equating to a potential commitment of 8.0% of gross assets. At that date, only £1.4 million had been drawn down, representing 1.4% of gross assets.

Your board also committed £7 million to the Dunedin Buyout Fund L.P. which at first closing raised £45 million. This fund will invest alongside Dunedin Enterprise on new investments.

The seven new investments are all UK based and are all transactions your managers led. Your company is the only institutional investor and in each case owns a significant part of the company. The investments are also in your company's target investment criteria of either MBO/MBI's or acquisition finance. All the companies are trading satisfactorily and the managers believe that these investments will add considerable value to your company in due course.

Borrowing Facilities

As set out in the Chairman's Statement the company has net borrowings of £8.5 million. Your company has merged with Group Trust which will increase the total assets of your company. Once this transaction concludes, a review of the borrowing facilities available to your company will be carried out. Borrowings can enhance performance if sound investments are made.

Dunedin Capital Partners Limited
13 June 2001

12 Long Term Record

Year ended 30 April	Net assets £'000	Revenue available for ordinary shareholders £'000	Per Ordinary Share			
			Net asset value p	Earnings p	Dividend p	Share price p
1987 (15 months)	27,413	255	146.9	1.6	1.5	114.0
1988	25,794	488	138.2	2.6	2.0	98.0
1989	26,323	640	141.0	3.4	3.0	88.0
1990	29,860	898	160.0	4.8	4.0	94.0
1991	27,165	885	145.6	4.7	4.5	90.0
1992	28,002	791	150.0	4.2	4.0	91.0
1993	26,181	801	140.3	4.3	4.0	107.0
1994	34,873	951	*179.9	5.1	4.2	146.0
1995	48,763	1,201	207.5	5.6	4.4	181.0
1996	58,699	2,061	245.7	8.7	7.2	207.0
1997	70,430	2,597	294.7	10.9	9.1	254.5
1998	79,746	2,698	333.7	11.3	10.0	276.0
1999	89,887	2,731	376.2	11.4	11.0	277.5
2000	99,002	2,986	414.3	12.5	11.6	320.5
2001	86,474	3,269	362.2	13.7	12.85	320.0

* Restated taking account of the dilution following the issue of shares as a result of the exercise of warrants on 31 August 1994.

13 Ten Largest Investments

The ten largest investments account for 58.2% of the total portfolio of Dunedin Enterprise as listed below:

Company name	Approx percentage of equity %	Cost of investment £'000	Directors' valuation £'000	Percentage of total portfolio at valuation %
Latchways plc	19.1	180	7,613	7.9
John Wood Group PLC	1.0	3,793	6,610	6.8
C.G.I. International Limited	46.5	2,565	6,465	6.7
DeMure Limited	38.6	3,000	6,411	6.7
Goals Soccer Centres Limited	36.1	5,930	5,930	6.1
OSS Group Limited	27.9	5,168	5,168	5.4
Davenham Group Holdings Limited	48.6	4,960	4,960	5.1
Ehrmans Holdings Limited	44.3	4,940	4,940	5.1
Thomson Brothers Limited	44.6	3,535	4,295	4.5
Blaze Signs International Limited	40.8	3,801	3,801	3.9
		37,872	56,193	58.2

'Approx. percentage of equity' relates to the ordinary share capital of the relevant company and assumes full exercise of outstanding options, warrants and conversion rights.

14 Ten Largest Investments



19.1%	Approx. percentage of equity
180	Cost of investment £'000
7,613	Directors' valuation £'000
7.9%	Percentage of portfolio at valuation

Latchways plc



1.0%	Approx. percentage of equity
3,793	Cost of investment £'000
6,610	Directors' valuation £'000
6.8%	Percentage of portfolio at valuation

John Wood Group PLC

Latchways plc

From its headquarters in Devizes, Wiltshire, Latchways serves an expanding international market for high performance Fall Arrest safety equipment. The company's reputation is built on products with the finest engineered components rigorously tested to international quality standards. A range of products based on this technology has been installed in over 20 countries. Applications include safety systems for telecom towers, electricity pylons, bridges, pipelines and both new and heritage buildings. Recent sites include the Mass Rapid Transport system in Singapore, the Wanderers Cricket Stadium in Johannesburg,

South Africa and, closer to home, the British Museum and British Library in London.

In the year ended 31 March 2001, the audited net profit after tax of Latchways was £2.0 million on turnover of £9.4 million (1999 – £2.0 million on turnover of £8.7 million). Dividends of £201,112 were received by Dunedin Enterprise Investment Trust in the year to 30 April 2001 (2000 – £193,872). The net assets of Latchways at 31 March 2001 amounted to £5.3 million (2000 – £4.1 million).

John Wood Group PLC

John Wood Group PLC is a leading international energy services company employing 9,000 people and operating from bases in over 30 countries. The company provides knowledge and know-how services and products to add value to oil and gas, and power industries worldwide. Developments during the year have firmly established John Wood Group as a major international energy services company with a growing reputation worldwide.

In the year ended 31 December 2000, the audited net profit after tax of John Wood Group was US\$ 23.8 million (1999 – US\$ 30.2 million which includes a US\$ 18.6 million gain on sale of operations) on turnover of US\$ 1,062 million (1999 – US\$ 817 million). Dividends of £136,870 were received by Dunedin Enterprise Investment Trust in the year to 30 April 2001, (2000 – £86,443). The stockholders' equity of John Wood Group at 31 December 2000 amounted to US\$ 191.8 million (1999 – US\$ 184.8 million).

16 Ten Largest Investments



46.5%	Approx. percentage of equity
2,565	Cost of investment £'000
6,465	Directors' valuation £'000
6.7%	Percentage of portfolio at valuation

C.G.I International Limited



38.6%	Approx. percentage of equity
3,000	Cost of investment £'000
6,411	Directors' valuation £'000
6.7%	Percentage of portfolio at valuation

DeMure Limited

17 Ten Largest Investments

C.G.I International Limited

In December 1998, Dunedin Enterprise invested £2.56 million in C.G.I. International Limited. The company, which is based in Warrington, manufactures and supplies fire resistant glass in the United Kingdom and Europe. It also acts as a supplier of other specialist glass products.

In the year ended 31 December 2000, the audited net profit after tax of C.G.I. International was

£1 million on turnover of £7.2 million (1999 – £0.7 million on turnover of £6 million). Dividends of £245,064 were received by Dunedin Enterprise Investment Trust during the year to 30 April 2001 (2000 – £177,081). The net assets of C.G.I. International at 31 December 2000 amounted to £5.2 million (1999 – £4.5 million).

DeMure Limited (trading as Carlton Clubs Limited)

Carlton Clubs Limited was a management buyout in January 1998. The company owns and operates 18 bingo clubs in Scotland and the North East of England. The company has continued to trade successfully. A number of substantial improvements have been made to the company's properties and this has left the company well positioned to move forward.

In the year ended 31 December 2000, the audited net profit after tax of DeMure was £1.8 million on turnover of £17.5 million (1999 – £1.6 million on turnover of £14.2 million). Dividends of £388,622 were received by Dunedin Enterprise Investment Trust in the year to 30 April 2001 (2000 – £368,305). The net assets of DeMure at 31 December 2000 amounted to £7.3 million (1999 – £6.2 million).

18 Ten Largest Investments



36.1%	Approx. percentage of equity
5,930	Cost of investment £'000
5,930	Directors' valuation £'000
6.1%	Percentage of portfolio at valuation

Goals Soccer Centres Limited



27.9%	Approx. percentage of equity
5,168	Cost of investment £'000
5,168	Directors' valuation £'000
5.4%	Percentage of portfolio at valuation

OSS Group Limited

Goals Soccer Centres Limited

In November 2000, Dunedin Enterprise invested £5.9 million to support the management buyin of Goals Soccer Centres Limited, the five-a-side football centre operator. The company is the UK's second largest five-a-side football centre operator.

It plans to expand the business from five sites (Aberdeen, Shawlands and Clydebank in Glasgow, and Wembley and Dagenham in London) to fifteen. Two new sites have been secured; one in Leeds and one in Bexley, London. The Shawlands site is also being redeveloped

to become a model flagship site incorporating a new rubber-based synthetic surface for the pitches. A typical centre will have eight to fourteen pitches, ample parking and a clubhouse with bar and changing facilities. Usage is predominantly in the evenings and at weekends.

Pre management buyin, the company had operating profit of £0.7 million on turnover of £1.7 million. Loan interest of £66,335 was received by Dunedin Enterprise Investment Trust in the year to 30 April 2001.

OSS Group Limited

In May 2000, Dunedin Enterprise invested £5.2 million in OSS Group Limited to support its acquisition, in a public to private transaction of Greenway Holdings plc. The total transaction size was £15 million and created the UK's largest waste oil collection and recycling business.

OSS is also involved in the distribution of fuel and virgin oils, predominantly in the North West of the UK, and in the provision of lubricant products throughout the UK and overseas. It also processes a number of other special waste streams arising from garages and other industrial premises. Legislation is increasingly recognising that oil

should be treated as a scarce resource, thereby placing greater emphasis on its collection as a waste and its subsequent treatment and disposal. OSS Group, as UK market-leader, is at the forefront of the changes taking place in this niche of the waste products market.

The OSS audited results to 31 December 2000 showed operating profit of £1.6 million on turnover of £27.9 million. Loan interest of £370,410 was received by Dunedin Enterprise Investment Trust in the year to 30 April 2001. The net assets of OSS as at 31 December 2000 were £2.3 million.

20 Ten Largest Investments



48.6%	Approx. percentage of equity
4,960	Cost of investment £'000
4,960	Directors' valuation £'000
5.1%	Percentage of portfolio at valuation

Davenham Group Holdings Limited



44.3%	Approx. percentage of equity
4,940	Cost of investment £'000
4,940	Directors' valuation £'000
5.1%	Percentage of portfolio at valuation

Ehmanns Holdings Limited

Davenham Group Holdings Limited

In June 2000, Dunedin Enterprise invested £5.0 million to support the £60 million management buyout of Davenham Group Holdings Limited. Davenham is a provider of niche, short-term lending products to growing businesses throughout the UK. It has particular expertise in trade finance, short-term property lending, leasing of specialised equipment and debt factoring.

Davenham is based in Manchester and Leeds. It has plans to open further offices around the UK.

In the year ended 30 June 2000, the audited net profit after tax of Davenham Group PLC was £2.1 million on turnover of £6.5 million. Loan interest of £197,842 was received by Dunedin Enterprise Investment Trust in the year to 30 April 2001. The net assets of Davenham at 30 June 2000 amounted to £6.7 million.

Ehrmanns Holdings Limited

In May 2000, Dunedin Enterprise invested £4.9 million to support the £15 million management buyin/buyout of Ehrmanns Holdings Limited. Ehrmanns is one of Britain's leading importers of wines and beers and it will celebrate 125 years of wine trading this year. From its head office in London, it now specialises in importing and distributing wine and beer for the major supermarkets.

Ehrmanns is strong in wines from Italy, Spain, Argentina and Chile. It has an office in Jerez, Spain from which it manages winemaker contracts in Spain and Chile. Ehrmanns has been instrumental in the recent revival of Blue Nun as a brand in the UK.

Pre management buyin/buyout, the operating profit of Ehrmanns Group PLC was £1.7 million on turnover of £43 million. Loan interest of £355,614 was received by Dunedin Enterprise Investment Trust in the year to 30 April 2001.

22 Ten Largest Investments



44.6%	Approx. percentage of equity
3,535	Cost of investment £'000
4,295	Directors' valuation £'000
4.5%	Percentage of portfolio at valuation

Thomson Brothers Limited



40.8%	Approx. percentage of equity
3,801	Cost of investment £'000
3,801	Directors' valuation £'000
3.9%	Percentage of portfolio at valuation

Blaze Signs International Limited

Thomson Brothers Limited

In March 1999, Dunedin Enterprise invested £3.5 million in the management buyout of Thomson Brothers Limited from Fife Group plc. Thomson Brothers is a distributor of architectural ironmongery, workwear, abrasives and welding products. The main product is architectural ironmongery in which Thomson Brothers is the leading supplier in Scotland. It operates out of eleven depots in Scotland and seven in England.

Thomson Brothers has grown by the acquisition of three distributing businesses since the management buyout in March 1999. The policy

of acquisition will continue building the company into a national group.

In the year ended 31 December 2000, the audited net profit after tax of Thomson Brothers was £0.3 million on turnover of £31 million (1999 – £0.2 million on turnover of £18.7 million). Dividends and loan interest of £254,206 were received by Dunedin Enterprise Investment Trust in the year to 30 April 2001 (2000 – £218,554). The net assets of Thomson Brothers as at 31 December 2000 amounted to £0.8 million (1999 – £0.5 million).

Blaze Signs International Limited

In July 2000, Dunedin Enterprise supported the £14 million management buyout of Blaze Signs International Limited with a £3.8 million investment. Founded in 1981, it manufactures, distributes and installs signs for blue chip retailers including Halfords, Euro Disney, Virgin, Warner Village, HSBC, Halifax, Yamaha and Arcadia.

Blaze employs 190 staff at its factories in Broadstairs, Kent and Birmingham.

It has set up a French subsidiary and is seeking to expand operations on the continent. It has also recently installed new machinery greatly enhancing efficiency.

Pre management buyout, the operating profit of Blaze Group Holdings Limited was £1.5 million on turnover of £13.0 million. Loan interest of £199,230 was received by Dunedin Enterprise Investment Trust in the year to 30 April 2001.

24 Analysis of Investments

The Twenty Largest Investments

Company Year end	Proportion of fully diluted capital owned %	Book cost £	Valuation £	Dividend per share p	Dividend cover	Fully diluted net asset value per share £
Latchways plc (31.3.01)						
Manufacture and distribution of Fall Arrest safety equipment	19.1	179,768	7,612,500	Ord 9.1	2.1	0.5
John Wood Group PLC (31.12.00)						
Engineering and high technology services to the offshore oil, power generation and general industrial markets	1.0	3,793,187	6,609,842	Pref 74.5	20.8	8.7
C.G.I. International Limited (31.12.00)						
Manufacture and supply of fire resistant glass	46.5	2,565,000	6,465,195	'A' Ord 23.1 Pref 8.0	10.8 3.6	2.8
DeMure Limited (31.12.00)						
Bingo club operator	38.6	3,000,000	6,410,890	'A' Ord 89.2 Pref 9.0	9.8 5.2	9.2
Goals Soccer Centres Limited (MBI investment made in November 2000)						
Operator of five-a-side football pitches	36.1	5,930,000	5,930,000	Nil	n/a	n/a**
OSS Group Limited (Investment made in May 2000)						
Waste oil collection and recycling	27.9	5,168,050	5,168,050	'A' Ord 14.1	10.0	1.6
Davenham Group Holdings Limited (MBO investment made in June 2000)						
Provider of niche short-term lending products	48.6	4,959,670	4,959,670	Nil	n/a	n/a**
Ehrmanns Holdings Limited (MBI/MBO investment made in May 2000)						
Wine and beer importer	44.3	4,940,036	4,940,036	Nil	n/a	n/a**
Thomson Brothers Limited (31.12.00)						
Distribution of architectural ironmongery	44.6	3,535,000	4,295,369	'A' Ord 15.5	15.9	2.5
Blaze Signs International Limited (MBO investment made in July 2000)						
Manufacture, distribution and installation of signs	40.8	3,801,143	3,801,143	Nil	n/a	n/a**

25 Analysis of Investments

The Twenty Largest Investments

Company Year end	Proportion of fully diluted capital owned %	Book cost £	Valuation £	Dividend per share p	Dividend cover	Fully diluted net asset value per share £
CRT Displays Group Limited (MBO investment made in October 2000)						
Distributor of computer-compatible projectors and audiovisual equipment	49.8	3,769,400	3,769,400	Nil	n/a	n/a* ²
Travel & General Holdings Limited (31.10.00)						
Underwriting of insurance bonds for UK tour operators	25.9	1,430,491	3,698,747	Ord 10.8 Pref 7.0	6.9 6.0	2.4
Portman Holdings Limited (31.12.00)						
Business travel agency	16.8	2,516,298	3,649,100	'A' Ord 44.1 Pref 6.0	4.4 2.8	1.6
Motherwell Bridge Holdings Limited (31.12.00)						
Provision of engineering and maintenance services to the oil and gas, aerospace, railway and nuclear industries	13.3	1,826,267	3,600,000	Ord 7.4	0.0	2.0
Clee Hill Plant Holdings Limited (31.12.00)						
Hire of road laying and compaction equipment	44.4	1,700,000	3,437,600	'A' Ord 51.6 Pref 7.5	13.1 10.7	8.3
Letts Holdings Limited (MBO investment made in August 2000)						
Desk and pocket diary supplier	40.6	3,069,095	3,069,095	Nil	n/a	7.3
Youngs Bluecrest Seafood Holdings Limited (31.12.00)						
Sourcing, trading, processing and marketing fresh, chilled, frozen and processed fish	8.8	2,010,081	3,006,931	Nil	n/a	1.4
Documedia Limited (29.2.00)						
Documedia and bespoke stationery	46.4	5,166,667	3,000,000	Nil	n/a	n/a* ¹
AIM Holdings Limited (30.4.00)						
Computer systems and software design for legal, debt collection and retail markets	39.1	255,196	2,804,853	Pref 8.0	40.8	n/a* ¹
Blacks Leisure Group plc (29.2.00)						
Sport and fashion retailer	3.3	99,129	2,327,683	Ord 6.5	4.4	1.5

*¹ negative shareholders' funds.

*² investment made this year.

26 Dunedin Enterprise Investment Trust PLC

Directors

Edward W Dawnay, Chairman

Alexander S Dudgeon

Stefan G Kay

Simon E C Miller

Manager, Secretary & Registered Office

Dunedin Capital Partners Limited

Napier House

27 Thistle Street

Edinburgh EH2 1BT

Tel 0131 225 6699

Registered No. 52844 Scotland

Registrar

Lloyds TSB Registrars Scotland

117 Dundas Street

Edinburgh EH3 5ED

Tel 0870 601 5366

Bankers

Bank of Scotland

Solicitors

Dundas & Wilson CS

Auditors

KPMG Audit Plc

27 Directors' Report

The directors have pleasure in submitting to shareholders the accounts for the year to 30 April 2001.

Revenue

Revenue for the year was £5,128,260 compared with £4,457,659 last year. Revenue available for shareholders was £3,268,693 compared with £2,986,215 representing earnings per share of 13.7p compared with 12.5p last year.

Dividend

A final dividend of 10.0p is recommended for payment on 24 August 2001 to shareholders on the register at close of business on 27 July 2001. The ex-dividend date is 25 July 2001. The final dividend together with the interim dividend of 2.85p paid during the year, makes a total of 12.85p per ordinary share costing £3,068,257 (2000 – 11.6p per ordinary share costing £2,771,821) leaving £200,436 (2000 – £214,394) to be transferred to revenue reserves.

Valuation

The valuation of investments at 30 April 2001 was £96,589,487 (2000 – £80,516,996). Shareholders' funds amounted to £86,474,392 (2000 – £99,001,974) giving a net asset value of 362.2p per share (2000 – 414.3p per share).

Principal Activity and Status

The company, which is not a 'close company', is registered as a public company in terms of Part 1 of the Companies Act 1985. The business of the company is that of an investment company within the meaning of Section 266 of the Companies Act 1985. The company qualifies as an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988 as amended. Inland Revenue approval for such treatment has been given up to 30 April 2000. In the opinion of the directors, the company has conducted its affairs so as to enable it to maintain approval as an investment trust for the year ended 30 April 2001. Under Corporation Tax Self Assessment, the Inland Revenue is no longer obliged to give written notices of approval; instead it has 12 months after the return filing date in which to give notice that it intends to enquire into the return. If no such notice is given, approval can be assumed to have been obtained.

Review of the Business

A review of the business is given in the Chairman's statement on pages 4 and 5.

Share Capital

During the year the company bought back 22,520 ordinary shares of 25p each (representing 0.09% of the issued share capital as at 30 April 2000) on the London Stock Exchange for cancellation. The total cost of these shares was £71,306. At 13 June 2001 no further shares have been repurchased.

28 Directors' Report

Directors

The directors of the company at 30 April 2001 and their interests in the ordinary shares of the company are shown below:

Ordinary Shares	30.4.01	30.4.00
E W Dawnay	-	-
A S Dudgeon	4,000	4,000
S G Kay	11,915	11,505
S E C Miller	3,000	3,000

All of these interests are beneficially held. There have been no changes in the above holdings between 1 May 2001 and 13 June 2001.

Directors' Fees

It is proposed that directors' fees be increased to reflect the greater responsibility of the directors and the increased size of the company following the merger with Group Trust. It is also expected that the number of directors will increase in future. Accordingly, a resolution will be put to the Annual General Meeting to increase the aggregate directors' fees from a maximum of £60,000 to £120,000.

Contracts of Service

No director has a service contract with the company. Mr S E C Miller has an interest in the management agreement. Details of his interest are shown on page 40.

Directors' and Officers' Insurance

The company maintains insurance cover in respect of directors' liability.

Substantial Share Interests

Detailed in the table below are the substantial interests in the ordinary share capital notified to the company as at 13 June 2001.

	Number of ordinary shares	Percentage of total issued ordinary shares
Legal & General Assurance Society	9,196,282	29.1
British Airways Pension Trustees Limited	3,743,505	11.9
The Standard Life Assurance Company	3,260,645	10.3

Going Concern

The directors consider that the group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason they continue to use the going concern basis in preparing the accounts.

Risk Management

The following information is given to address the risks faced by the company in accordance with FRS 13 "Derivatives and other financial instruments: Disclosures", to discuss the nature of the financial risks faced by the company, and the strategies adopted to deal with those risks.

29 Directors' Report

As a general rule the company does not enter into any derivative contracts. The risks associated with the company are market price risk, interest rate risk and foreign currency risk. The managers monitor these risks and the company's investment activities change in response to market developments.

Market price risk arises from four quoted investments held by the company. As is shown on page 42 the majority of the portfolio is unlisted, and is actively managed by the management team.

Interest rate risk arises from the term loan and bank overdraft facility which are used for funding investments as and when required, as the company seeks to maximise good investment opportunities in a period of low interest rates. The company's term loan incurs interest at a rate linked to LIBOR and the bank overdraft incurs interest at a rate linked to base rate. Details of the term loan and bank overdraft are shown on page 47. When investments are made by the company part of the investment may be made in loan stock with a fixed or floating interest rate. A summary of the total portfolio, analysed by type of security, is shown on page 43.

The majority of the investments are sterling denominated. Foreign currency risk arises only through investments in John Wood Group PLC (US\$ denominated preference shares); Tally GmbH (DM denominated); a part of the investment in UniPoly S.A. (US\$ denominated loan stock) which is fully provided against; and two of the technology funds (Euro denominated). The value of these foreign currency investments is small in relation to the total portfolio value.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the revenue for that period. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently,
- (ii) make judgements and estimates that are reasonable and prudent,
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Manager's Incentive Scheme ("the Scheme")

Dunedin Enterprise Investment Trust operates a co-investment scheme for DCP executives. Under the Scheme, selected executives invest their own funds in ordinary shares (and, on occasion, other financial instruments) alongside Dunedin Enterprise Investment Trust. Co-investment schemes are a common feature in the venture capital sector. Details of the Scheme are shown on page 51.

30 Directors' Report

Creditors Policy

The company agrees terms and conditions for its business transactions with suppliers. Payment is made on these terms, provided the supplier meets its obligations. The company has no trade creditors.

Contributions

In accordance with its normal practice, the company has made no contributions to political or charitable organisations during the year.

Auditors

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

Alexander Dudgeon and Stefan Kay retire from the board by rotation. Each, being eligible, offers himself for re-election.

The Special Business to be dealt with at the Annual General Meeting of the company relates to the seeking of authority for the issue of new shares and authority for share buy-backs. In view of the company's issue of shares to the shareholders of Group Trust pursuant to our successful offer, the levels of these authorities are calculated on the basis of the company's issued share capital as at the date of this annual report and not by reference to the company's issued share capital at 30 April 2001. Further details of each item of Special Business are set out on pages 54 and 55.

By order of the board,

Dunedin Capital Partners Limited, Secretary,
Edinburgh, 13 June 2001

31 Corporate Governance

The company is committed to high standards of corporate governance. The board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the group to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 1998.

The board considers that the group has complied with the provisions contained within the Combined Code throughout this accounting period, and this statement describes how the relevant principles of governance are applied to the group.

The Board

The board determines the strategic direction of the group. It meets on a quarterly basis to review the investment performance of the group's underlying investments and the financial position of the group. The board has a formal schedule of matters specifically reserved for discussion. The schedule of matters is reviewed annually by the board. The directors receive quarterly management accounts outlining the group's financial position and investment performance. The investment manager's evaluation procedure and financial analysis of portfolio companies includes a review of environmental performance and detailed research and appraisal. The investment management of the group is governed by an investment management agreement between the group and DCP which defines the management of the group.

Directors

There is a clear division of responsibility between the chairman, the directors and the investment manager. The investment manager's role is defined within the investment management agreement.

The remuneration of the directors consists only of fees. At 30 April 2001 there were four directors, three of whom were independent. Their biographies, on page 6, highlight their wide range of business experience. The structure of the board is such that it is considered unnecessary to identify a senior non-executive director other than the chairman.

The directors have access to any information, the advice and services of the company secretary and, if required, external advice at the expense of the group. All directors are subject to election by shareholders at the first Annual General Meeting after their appointment and thereafter at every third subsequent Annual General Meeting.

Board Committees

The board has appointed two committees, the Audit and Management Engagement Committee and the Nomination Committee.

The Audit and Management Engagement Committee comprises the independent non-executive directors. The committee has specific terms of reference and plays an important role in reviewing the quality of financial reporting and DCP's internal controls. Its responsibilities are:-

- to review and advise the board on the interim and annual financial statements, on matters relating to accounting policy, and the control of the financial and business risks affecting the group,
- to review the nature and scope of the work to be performed by the external auditors,
- to make recommendations as to the appointment and remuneration of the external auditors, and
- to annually review and advise the board on the terms of the investment management agreement.

32 Corporate Governance

The Audit and Management Engagement Committee meets privately with the external auditors. Senior representatives of the DCP management team attend the Audit and Management Engagement Committee meetings as appropriate. The terms of reference of the Audit and Management Engagement Committee include all matters indicated by the Combined Code.

As all the directors of the group are non-executive, the board as a whole fulfils the function of the Nomination Committee which meets when necessary to select and propose suitable candidates for appointment to the board.

Relations with Shareholders

All shareholders have the opportunity to attend and vote at the Annual General Meeting ("AGM"). The notice of the AGM sets out the business of the meeting and any item not of an entirely routine nature is explained in the Directors' Report on pages 27 to 30. Separate resolutions are proposed for substantive issues. In addition, both the board and representatives of the investment manager are available to answer shareholders' questions at the AGM. Proxy voting figures are announced to the shareholders at the AGM.

The investment manager holds regular discussions with major shareholders the feedback from which is greatly valued by the board. In addition, the chairman and directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the group. The section entitled "Information for Investors", on pages 52 and 53, provides an overview of useful information available to shareholders.

Internal Control

DCP has responsibility for the day-to-day running of the group. The framework of internal control is designed to provide reasonable, but not absolute, assurance that:

- transactions are executed in accordance with the delegated authority under the management agreement,
- transactions are appropriately recorded to permit the preparation of reliable financial statements,
- the assets of the group are protected, and fraud is prevented or detected, and
- the group is managed effectively and efficiently in accordance with the directions of the board.

33 Corporate Governance

In assessing what constitutes reasonable assurance, DCP and the board have regard to materiality and the cost of, and the benefit from particular aspects of control. Internal control is the overall responsibility of the board. This is delegated to DCP under the investment management agreement.

DCP reports at each board meeting on the operation of its internal controls and risk management within DCP, in so far as it impacts on the group. This enables the board to address any issues, regarding the management of the group, as and when they arise.

Review of internal controls

The Combined Code requires directors to review and report to shareholders on the group's system of internal control, including financial, operational and compliance controls and risk management.

In September 1999 the Institute of Chartered Accountants in England and Wales published 'Internal Control: Guidance for Directors on the Combined Code' (known as the Turnbull Committee guidance). At the start of the financial year the board developed in conjunction with its investment manager, a mechanism for reviewing the group's systems of internal control to comply with the objectives of the guidance.

The board confirms that since 1 May 2000 to the date of this report, appropriate procedures to review the effectiveness of the group's system of internal control have been in place which cover all controls including financial, operational and compliance controls and risk management. These procedures included an annual assessment of internal controls, which was completed by the board on 7 June 2000. This assessment included a review of the significant risks faced by the group and an assessment of their impact and likelihood. In addition an assessment of the effectiveness of internal controls in managing risks was conducted based on reports from DCP and other relevant service providers. Other than as disclosed above, the group has complied with the provisions set out in Section 1 of the Combined Code throughout the financial year ended 30 April 2001.

The board have also received an independent report from Ernst & Young, Chartered Accountants, the auditors of DCP, on internal controls.

Membership of Board Committees

Audit and Management Engagement Committee

Edward W Dawnay (Chairman)

Alexander S Dudgeon

Stefan G Kay

Nomination Committee

Edward W Dawnay (Chairman)

Alexander S Dudgeon

Stefan G Kay

Simon E C Miller

34 Consolidated Statement of Total Return

(Incorporating the Revenue Account)

For the year ended 30 April				2001			2000
	Notes	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
(Losses)/gains on investments		–	(10,440,617)	(10,440,617)	–	10,156,048	10,156,048
Income	2	5,128,260	–	5,128,260	4,457,659	–	4,457,659
Investment management fee	3	(1,030,887)	(1,546,330)	(2,577,217)	(883,722)	(1,325,583)	(2,209,305)
Other expenses	4	(366,442)	–	(366,442)	(435,100)	(25,200)	(460,300)
Net return before finance costs and tax		3,730,931	(11,986,947)	(8,256,016)	3,138,837	8,805,265	11,944,102
Interest payable and similar charges	6	(452,801)	(679,202)	(1,132,003)	(22,979)	(34,467)	(57,446)
Return on ordinary activities before tax		3,278,130	(12,666,149)	(9,388,019)	3,115,858	8,770,798	11,886,656
Tax on ordinary activities	7	(9,437)	9,437	–	(129,643)	129,643	–
Return attributable to equity shareholders		3,268,693	(12,656,712)	(9,388,019)	2,986,215	8,900,441	11,886,656
Dividends in respect of equity shares	8	(3,068,257)	–	(3,068,257)	(2,771,821)	–	(2,771,821)
Transfer to reserves		200,436	(12,656,712)	(12,456,276)	214,394	8,900,441	9,114,835
Basic return per ordinary share	9	13.7p	(53.0p)	(39.3p)	12.5p	37.2p	49.7p
Actual return per ordinary share	9	13.7p	(53.0p)	(39.3p)	12.5p	37.2p	49.7p

The notes on pages 38 to 49 form part of the financial statements.

35 Consolidated Balance Sheet

At 30 April			2001	2000
	Notes	£	£	£
Fixed asset investments	10		96,589,487	80,516,996
Current assets				
Debtors	11	826,679	921,007	
Cash at bank		6,546,619	34,782,906	
		7,373,298	35,703,913	
Current liabilities				
Creditors: amounts falling due within one year	12	(2,488,393)	(2,218,935)	
Net current assets			4,884,905	33,484,978
Total assets less current liabilities			101,474,392	114,001,974
Creditors: amounts falling due after more than one year	13	(15,000,000)	(15,000,000)	
			86,474,392	99,001,974
Capital and reserves				
Called up share capital	14	5,968,122	5,973,752	
Share premium account	15	21,522,953	21,522,953	
Capital reserves:				
Capital redemption reserve	15	5,630	–	
Capital reserve – realised	15	36,840,436	31,419,840	
Capital reserve – unrealised	15	19,682,186	37,830,800	
Revenue reserve	15	2,455,065	2,254,629	
Total equity shareholders' funds			86,474,392	99,001,974
Net asset value per share	16		362.2p	414.3p

The financial statements were approved by the board of directors on 13 June 2001.

E.W. Dawnay, Chairman

The notes on pages 38 to 49 form part of the financial statements.

36 Company Balance Sheet

At 30 April			2001	2000
	Notes	£	£	£
Fixed asset investments	10		96,589,487	80,516,996
Investment in subsidiary	10		14,000,000	5,000,000
Current assets				
Debtors	11	826,679		921,007
Cash at bank		-		29,782,668
		826,679		30,703,675
Current liabilities				
Creditors: amounts falling due within one year	12	(9,947,473)		(2,218,935)
Net current (liabilities)/assets			(9,120,794)	28,484,740
Total assets less current liabilities			101,468,693	114,001,736
Creditors: amounts falling due after more than one year	13		(15,000,000)	(15,000,000)
			86,468,693	99,001,736
Capital and reserves				
Called up share capital	14		5,968,122	5,973,752
Share premium account	15		21,522,953	21,522,953
Capital reserves:				
Capital redemption reserve	15		5,630	-
Capital reserve – realised	15		36,840,436	31,419,840
Capital reserve – unrealised	15		19,682,186	37,830,800
Revenue reserve	15		2,449,366	2,254,391
Total equity shareholders' funds			86,468,693	99,001,736

The financial statements were approved by the board of directors on 13 June 2001.

E.W. Dawnay, Chairman

The notes on pages 38 to 49 form part of the financial statements.

37 Consolidated Cash Flow Statement

For the year ended 30 April		2001	2000
	Notes	£	£
Net cash inflow from operating activities	18	2,114,415	1,684,880
Servicing of finance			
Interest paid		(1,132,003)	(59,296)
Taxation			
Tax paid		-	-
Tax recovered		197,274	-
Net cash inflow from taxation		197,274	-
Financial Investment			
Purchase of investments		(38,058,446)	(1,145,735)
Sale of investments		11,545,338	23,975,343
Net cash (outflow)/inflow from financial investment		(26,513,108)	22,829,608
Equity dividends paid		(2,831,559)	(2,652,346)
Net cash (outflow)/inflow before financing		(28,164,981)	21,802,846
Financing			
Purchase of ordinary shares		(71,306)	-
Term Loan		-	15,000,000
(Decrease)/increase in cash for the period		(28,236,287)	36,802,846
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash as above		(28,236,287)	36,802,846
Cash at bank and in hand at 1 May		34,782,906	(2,019,940)
Cash at bank and in hand at 30 April		6,546,619	34,782,906

The notes on pages 38 to 49 form part of the financial statements.

38 Notes on the Accounts

1. Accounting basis and policies

a. Accounting convention

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable Accounting Standards (except as stated in note 1(c)) and with the Statement of Recommended Practice ("SORP") for Investment Trust Companies.

b. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Dunedin Enterprise Investment Trust PLC and its subsidiary Dunedin Enterprise Limited. No separate Statement of Total Return is presented for the company as permitted by section 230 of the Companies Act 1985.

c. Associated undertakings

Those venture capital investments that may be termed associated undertakings are carried at cost or valuation in accordance with the company's normal policy and are not equity accounted as required by the Companies Act 1985. The directors consider that, as these investments are held as part of the company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the company's interests in these investments and they have been valued as part of the total portfolio of investments, in accordance with FRS 9 "Associates and joint ventures".

d. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Gains and losses on the realisation of foreign currencies are transferred directly to the capital reserve.

e. Investment income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is applicable are brought into account when the group's right to receive payment is established. Interest income is accounted for on an accruals basis except where there is uncertainty as to whether the interest will be received. Franked investment income is reported net of tax credits in accordance with FRS 16 "Current Tax".

f. Management and finance expenses

The accounting method for management fees (inclusive of any irrecoverable VAT thereon) and finance expenses is to charge 60% to capital. This represents the capital element of the board's expected long-term return from the portfolio.

g. Valuation policy

Investments listed on the London Stock Exchange are valued at middle market quotations derived from the Stock Exchange Daily Official List on the relevant date, although in certain circumstances a discount may be applied. Unquoted equity investments are initially valued at cost, provided there are no adverse factors, or relative to the price at which transactions have taken place in, or an offer has been made for, securities of the relevant company. In other circumstances, investments may be valued relative to earnings subject, where appropriate, to a discount for lack of marketability or relative to the price at which new capital has been subscribed. Non-convertible fixed income securities are valued at cost provided there are no adverse factors. The valuation policy accords with the principles set out by the British Venture Capital Association.

h. Capital reserves

Gains and losses on realisation of investments are dealt with in the capital reserve together with the proportion of management fee and finance expenses charged to capital.

i. Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

39 Notes on the Accounts

2. Income

	Group 2001 £	Group 2000 £
Income from investments		
Franked investment income – UK	1,976,740	2,707,645
Unfranked investment income – UK	1,764,349	1,096,571
Unfranked investment income – Overseas	(164,696)	104,757
Partnership income – UK	37,825	123,271
	3,614,218	4,032,244
Other income		
Deposit interest	836,192	377,415
Arrangement fees	677,850	48,000
	1,514,042	425,415
Total income	5,128,260	4,457,659
Income from investments		
Listed – UK	348,265	301,350
Unlisted – UK	3,430,649	3,626,137
Unlisted – Overseas	(164,696)	104,757
	3,614,218	4,032,244

3. Investment management fee

	Group and Company 2001			Group and Company 2000		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Investment management fee	877,351	1,316,025	2,193,376	752,104	1,128,156	1,880,260
Irrecoverable VAT thereon	153,536	230,305	383,841	131,618	197,427	329,045
	1,030,887	1,546,330	2,577,217	883,722	1,325,583	2,209,305

DCP provides investment management and general administrative services to the group for a quarterly fee payable in advance equal to 1/2% of gross assets. The notice period on the management agreement is two years.

40 Notes on the Accounts

4. Other expenses

Profit on ordinary activities before taxation is shown after charging the following amounts:

	Group 2001 £	Group 2000 £
Directors' fees	52,590	66,235
Amounts paid to auditors and their associates:		
– audit services	16,085	14,500
– other services	15,252	14,864
AITC marketing campaign	33,190	42,770
Finance arrangement fees	–	16,800
Administration expenses	249,325	279,931
	366,442	435,100

The group does not directly employ any staff.

5. Directors' Remuneration

The aggregate emoluments of the directors, including VAT where applicable, for the year to 30 April 2001 were £52,590 (2000: £66,235). The emoluments of the chairman, who was also the highest paid director, were £15,000 (2000: £13,406). Other directors each received £10,000 on an annualised basis.

Other than as noted below, no contracts in which any director of the group was materially interested and which were significant in relation to the group's business have existed at any time during the year.

Simon Miller is Chairman of Dunedin Capital Partners Limited, the investment manager, and is therefore deemed to have an interest in the management agreement. Mr Miller participates in the co-investment scheme operated by Dunedin Enterprise Investment Trust for DCP executives.

Charles Peal resigned as a director of the group on 23 August 2000.

41 Notes on the Accounts

6. Interest Payable

	Revenue £	Capital £	Group 2001 Total £	Revenue £	Capital £	Group 2000 Total £
On bank overdraft repayable within 5 years	452,801	679,202	1,132,003	22,979	34,467	57,446

7. Taxation

	Revenue £	Capital £	Group 2001 Total £	Revenue £	Capital £	Group 2000 Total £
UK corporation tax at 30% (2000 – 30.0%)	9,437	(9,437)	–	129,643	(129,643)	–

8. Dividends

	Group and Company 2001		Group and Company 2000	
	Pence per share (net)	£	Pence per share (net)	£
Interim paid	2.85	681,008	2.6	621,270
Final proposed	10.00	2,387,249	9.0	2,150,551
	12.85	3,068,257	11.6	2,771,821

9. Return per ordinary share

Basic revenue return per ordinary share is based on revenue return attributable to equity shareholders of £3,268,693 (2000 – £2,986,215) and on 23,894,460, (2000 – £23,895,008) being the weighted average number of ordinary shares in issue during the year.

Basic capital return per ordinary share is based on capital return attributable to equity shareholders for the financial year of £(12,656,712), (2000 – £8,900,441) and on 23,894,460, (2000 – £23,895,008) being the weighted average number of ordinary shares in issue at the year end.

Actual revenue return per ordinary share is based on revenue return attributable to equity shareholders of £3,268,693 (2000 – £2,986,215) and on 23,872,488, (2000 – £23,895,008) being the number of ordinary shares in issue at the year end.

Actual capital return per ordinary share is based on capital return attributable to equity shareholders for the financial year of £(12,656,712), (2000 – £8,900,441) and on 23,872,488, (2000 – £23,895,008) being the number of ordinary shares in issue at the year end.

42 Notes on the Accounts

10. Investments

	Group and Company 2001 £	Group and Company 2000 £
Listed UK investments	11,265,342	16,281,397
Unlisted UK investments	84,730,838	56,221,388
Unlisted Overseas investments	593,307	8,014,211
	96,589,487	80,516,996

The company owns 100% of the share capital and voting rights of Dunedin Enterprise Limited. Dunedin Enterprise Limited is registered in Scotland and its business is to manage short-term deposits for the group. The investment in Dunedin Enterprise Limited of £14,000,000 is valued at cost at 30 April 2001.

	Listed in UK £	Unlisted £	Group and Company Total £
Book cost at 30 April 2000	1,015,921	41,670,275	42,686,196
Unrealised appreciation	15,265,476	22,565,324	37,830,800
Valuation at 30 April 2000	16,281,397	64,235,599	80,516,996
Movements in the year:			
Purchases at cost	550,000	37,508,446	38,058,446
Sales – proceeds	(1,955,455)	(9,589,883)	(11,545,338)
– realised gains on sales	268,823	2,033,291	2,302,114
Unrealised foreign currency movements	–	28,196	28,196
Decrease in unrealised appreciation	(3,879,423)	(8,891,504)	(12,770,927)
Valuation at 30 April 2001	11,265,342	85,324,145	96,589,487
Book cost at 30 April 2001	1,531,542	75,375,759	76,907,301
Closing unrealised appreciation	9,733,800	9,948,386	19,682,186
	11,265,342	85,324,145	96,589,487

Included within unlisted investments are investments valued at £70,653,092 (2000 – £42,569,894) where the company's interest is between 20% and 50% of the equity. These have not been accounted for as associates for the reason set out in note 1(c). These investments are listed on pages 44 and 45.

43 Notes on the Accounts

10. Investments (continued)

	Group and Company 2001 £	Group and Company 2000 £
Realised gains based on cost	7,707,997	13,893,548
Unrealised appreciation recognised in prior periods	(5,405,883)	(10,767,711)
	2,302,114	3,125,837
Unrealised foreign currency movements	28,196	(245,299)
(Decrease)/Increase in unrealised appreciation	(12,770,927)	7,275,510
	(10,440,617)	10,156,048

The portfolio at valuation comprises the following:

	Group and Company 2001 £	Group and Company 2000 £
Equity shares	42,558,908	45,384,742
Redeemable preference shares	11,982,142	15,884,292
Fixed interest rate loan stock	42,023,993	17,223,520
Floating interest rate loan stock	24,444	2,024,442
	96,589,487	80,516,996

44 Notes on the Accounts

Significant interests

(a) As at 30 April 2001 Dunedin Enterprise Investment Trust PLC held between 20% and 50% of the allotted share capital of the following companies:

Name	Country of incorporation or registration	Class of capital	% of class held	% of equity held	Latest available accounts	Share Capital & reserves £'000	Profit/(loss) for year* £'000
AIM Holdings Limited	England	Ordinary	39.1	39.1	30.4.00	2,676	980
Blaze Signs International Limited	England	Ordinary 'A' Ordinary	5.3 92.5	40.8	n/a ¹	n/a ¹	n/a ¹
C.G.I. International Limited	England	'A' Ordinary CRP	63.1 63.1	46.5	31.12.00	5,201	1,050
Central Scotland Finance Limited	Scotland	Ordinary	47.1	47.1	31.12.00	2,115	211
Clee Hill Plant Holdings Limited	England	'A' Ordinary CRP	100.0 100.0	44.4	31.12.00	2,161	540
CRT Displays Group Limited	Scotland	'A' Ordinary	91.5	49.8	n/a ¹	n/a ¹	n/a ¹
Davenham Group Holdings Limited	England	'A' Ordinary	77.1	48.6	n/a ¹	n/a ¹	n/a ¹
DeMure Limited	Scotland	'A' Ordinary CRP	75.0 75.0	38.6	31.12.00	7,329	1,756
Documedia Limited	England	'A' Ordinary CRP	100.0 100.0	46.4	29.2.00	413	(253)
Dynamic Imaging Limited	Scotland	Ordinary	37.4	37.4	30.6.00	262	(538)
Ehrmanns Holdings Limited	England	'A' Ordinary	88.6	44.3	n/a ¹	n/a ¹	n/a ¹
Goals Soccer Centres Limited	Scotland	'A' Ordinary	86.7	36.1	n/a ¹	n/a ¹	n/a ¹
Latchways plc	England	Ordinary	19.1	19.1	31.3.01	5,277	2,016
Letts Holdings Limited	Scotland	'A' Ordinary	88.1	40.6	31.1.01	2,515	2,199
OSS Group Limited	England	'A' Ordinary	92.5	27.9	31.12.00	2,299	597
Outreach plc	Scotland	Pref Ord CRP	100.0 50.0	47.4	30.4.00	999	335
SVL (Cars) Limited	Scotland	'A' Ordinary	20.0	20.0	n/a ²	n/a ²	n/a ²

45 Notes on the Accounts

Name	Country of incorporation or registration	Class of capital	% of class held	% of equity held	Latest available accounts	Share Capital & reserves £'000	Profit/(loss) for year* £'000
Speciality Chemical Holdings Limited	England	Ordinary	46.7	47.0	31.12.00	160	(197)
		'A' Ordinary	48.0				
		CRP	50.0				
Thomson Brothers Limited	Scotland	'A' Ordinary	100.0	44.6	31.12.00	770	337
Travel & General Holdings Limited	England	Ordinary	23.7	25.9	31.10.00	6,425	1,233
		'A' Ordinary	32.7				
		CRP	57.8				

* after taxation

(b) Other interests of 10% or more of any class of allotted share capital:

Name	Country of incorporation or registration	Class of capital	% of class held	% of equity held
Deep-Sea Leisure PLC	Scotland	Ordinary	11.5	11.5
Motherwell Bridge Holdings Limited	Scotland	Ordinary	13.3	13.3
Portman Holdings Limited	England	'A' Ordinary	25.0	16.8
		CRP	25.0	

Abbreviations shown above:

CRP Cumulative Redeemable Preference Shares

Pref Ord Preferred Ordinary Shares

n/a¹ First year of investment

n/a² In liquidation

Equity percentages shown are fully diluted, based on the latest audited accounts available, to take account of options and warrants, which have been issued, and conversion rights.

46 Notes on the Accounts

Sector Analysis of Investments in Portfolio Companies

At 30 April	2001	2000
	£	£
Automobiles and parts	1	2,002,876
Chemicals	1	500,000
Construction and building materials	6,465,195	6,027,120
Distributors	13,142,720	3,640,072
Diversified industrials	129,628	6,185,294
Electronic and electrical equipment	326,571	2,659,443
Engineering and machinery	3,994,501	5,399,301
Food producers and processors	3,006,931	7,509,215
General retailers	2,327,683	4,577,777
Insurance	3,908,747	4,284,056
Investment companies	5,073,222	4,787,784
Leisure, entertainment and hotels	12,862,801	6,746,880
Oil and gas	6,609,842	2,052,676
Software	2,804,853	2,451,694
Speciality and other finance	5,830,870	795,711
Support services	30,105,921	20,897,097
Total of investments	96,589,487	80,516,996
Cash at bank and on deposit	6,546,619	34,782,906
Net current liabilities	(1,661,714)	(1,297,928)
Term loan	(15,000,000)	(15,000,000)
Ordinary shareholders' funds	86,474,392	99,001,974

11. Debtors

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Prepayments and accrued income	375,802	555,856	375,802	555,856
Taxation recoverable	450,877	365,151	450,877	365,151
	826,679	921,007	826,679	921,007

47 Notes on the Accounts

12. Creditors: Amounts falling due within one year

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Bank overdraft	–	–	3,459,080	–
Due to subsidiary undertaking	–	–	4,000,000	–
Proposed dividend	2,387,249	2,150,551	2,387,249	2,150,551
Accruals	101,144	68,384	101,144	68,384
	2,488,393	2,218,935	9,947,473	2,218,935

An overdraft facility of £15 million is available to the company. The rate of interest payable on the overdraft is 1% above base rate.

13. Creditors: Amounts falling due after more than one year

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Term loan	15,000,000	15,000,000	15,000,000	15,000,000

The term loan was drawn down on 28 April 2000 and is repayable on 28 April 2010. The rate of interest payable on the term loan is 1.1% above LIBOR.

14. Called-up share capital

	Nominal No.	Group and Company 2001 £	Nominal No.	Group and Company 2000 £
Authorised:-				
Ordinary shares of 25p each	40,000,000	10,000,000	40,000,000	10,000,000
Allotted, called-up and fully paid:-				
Ordinary shares at 1 May 2000	23,895,008	5,973,752	23,895,008	5,973,752
Shares purchased and cancelled during year	(22,520)	(5,630)	–	–
Ordinary shares at 30 April 2001	23,872,488	5,968,122	23,895,008	5,973,752

During the year, the company repurchased 22,520 ordinary shares at an aggregate cost of £71,306. This represented 0.09% of the company's issued ordinary share capital and reduced the number of ordinary shares in issue from 23,895,008 to 23,872,488. At 13 June 2001 no further ordinary shares have been repurchased.

48 Notes on the Accounts

15. Reserves

Group	Share premium account £	Capital redemption reserve £	Capital reserve – realised £	Capital reserve – unrealised £	Revenue account £
At 30 April 2000	21,522,953	–	31,419,840	37,830,800	2,254,629
Retained net surplus for the year	–	–	–	–	200,436
Net gain on realisation of investments	–	–	7,707,997	–	–
Management fees charged to capital	–	–	(1,546,330)	–	–
Loan interest charged to capital	–	–	(679,202)	–	–
Revaluation movements	–	–	–	(18,176,810)	–
Foreign currency movements	–	–	–	28,196	–
Purchase and cancellation of ordinary shares	–	5,630	(71,306)	–	–
Tax effect of capital items	–	–	9,437	–	–
At 30 April 2001	21,522,953	5,630	36,840,436	19,682,186	2,455,065

Company	Share premium account £	Capital redemption reserve £	Capital reserve – realised £	Capital reserve – unrealised £	Revenue account £
At 30 April 2000	21,522,953	–	31,419,840	37,830,800	2,254,391
Retained net surplus for the year	–	–	–	–	194,975
Net gain on realisation of investments	–	–	7,707,997	–	–
Management fees charged to capital	–	–	(1,546,330)	–	–
Loan interest charged to capital	–	–	(679,202)	–	–
Revaluation movements	–	–	–	(18,176,810)	–
Foreign currency movements	–	–	–	28,196	–
Purchase and cancellation of ordinary shares	–	5,630	(71,306)	–	–
Tax effect of capital items	–	–	9,437	–	–
At 30 April 2001	21,522,953	5,630	36,840,436	19,682,186	2,449,366

16. Net asset value per share

The net asset value per share is calculated on shareholders funds of £86,474,392 (2000 – £99,001,974) and on 23,872,488 ordinary shares in issue at the year end (2000 – 23,895,008).

49 Notes on the Accounts

17. Reconciliation of movements in shareholders' funds

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Opening shareholders' funds	99,001,974	89,887,139	99,001,736	89,887,001
Total recognised gains and losses: revenue	200,436	214,394	194,975	214,294
Total recognised gains and losses: capital	(12,728,018)	8,900,441	(12,728,018)	8,900,441
Closing shareholders' funds	86,474,392	99,001,974	86,468,693	99,001,736

18. Reconciliation of income to net cash inflow from operating activities

	Group 2001 £	Group 2000 £
Net revenue before finance costs and tax	3,730,931	3,138,837
Decrease in accrued income	154,609	121,606
Decrease/(increase) in other debtors	25,445	(27,312)
Increase in creditors	32,760	3,713
Tax on investment income included within income from UK companies	(283,000)	(201,181)
Management fees charged to capital	(1,546,330)	(1,325,583)
Finance arrangement fees charged to capital	-	(25,200)
Net cash inflow from operating activities	2,114,415	1,684,880

19. Contingent liabilities

There were no contingent liabilities at the year end (2000 – £Nil).

20. Capital Commitments

There were outstanding capital commitments of £15,878,293 (2000 – £5,737,690) in respect of investments at the end of the year.

21. Manager's Incentive Scheme

- (a) With effect from 1 May 1999 the manager's incentive scheme ("the Scheme"), described on page 51 was introduced to Dunedin Enterprise Investment Trust.
- (b) During the year qualifying directors and managers of DCP have invested £234,419 in companies in which Dunedin Enterprise Investment Trust also has an interest. In the same period Mr S E C Miller, a director, invested £23,442 in these unquoted companies.

22. Subsequent Event

On 8 June 2001 the company's offer for Group Trust, a listed investment trust, became wholly unconditional. Under the terms of the offer, the company has issued 7,693,912 new ordinary shares valued at £21,927,649 as at 13 June 2001, as well as a payment of £7,500,000 under a cash election and partial cash alternative in return for the acquisition of Group Trust.

50 Report of the Auditors

To the members of Dunedin Enterprise Investment Trust PLC

We have audited the financial statements on pages 34 to 49.

Respective responsibilities of the directors and auditors

As described on page 29 the company's directors are responsible for the preparation of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on pages 31 to 33 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30 April 2001 and of the group's total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc,

Chartered Accountants

Registered Auditors

Edinburgh

13 June 2001

51 Summary of Manager's Incentive Scheme ("the Scheme")

Introduction

The Scheme is designed to allow executives of DCP responsible for the investment of Dunedin Enterprise Investment Trust funds to co-invest alongside such funds by investing in ordinary equity shares (and occasionally, other financial instruments).

Participation

Selected employees of DCP participate in the Scheme (following consultation with the board of Dunedin Enterprise Investment Trust) subject to an overall investment limit, presently 100% of the participant's basic salary. Employees who accept the invitation to participate shall be entitled and bound to do so for the whole of the relevant year.

Investment

Each participant shall invest in every investment offered under the Scheme during the relevant year. Participants invest in proportion to amounts determined by DCP's Remuneration Committee. Participants shall acquire investments at the price at which Dunedin Enterprise Investment Trust acquires the same investment.

Payment

Each participant must advance the money required for the acquisition of investments on completion and in default shall cease to participate in any further investment opportunities for the remainder of that year and for up to six months of the following year.

Disposal of Investments

Participants shall dispose of investments at the same time and at the same price as Dunedin Enterprise Investment Trust and to the extent required pursuant to a flotation.

Restriction

Prior to an exit, investments acquired pursuant to the Scheme may not be sold, charged, assigned, transferred or otherwise alienated by a participant, except to connected persons. A participant shall cease to participate as regards new investments on reaching his overall investment limit, on the breach of any of the rules and on the date on which notice is given by either party of termination of the participant's employment.

Leavers

A participant who leaves DCP retains all investments held by him pursuant to the Scheme up to the date when disposal is required alongside Dunedin Enterprise Investment Trust.

Amendment

Each year DCP may amend the Scheme with the consent of the company.

52 Information for Investors

Dunedin Enterprise Investment Trust is managed by DCP. All enquiries in relation to the company, other than those related to Edinburgh Fund Managers products, should be directed to DCP at:-

Napier House, 27 Thistle Street, Edinburgh EH2 1BT

The company's share price appears under the heading 'Investment Companies' in The Financial Times, The Daily Telegraph, The Scotsman and The Herald. Investors can also obtain the latest share price by 'phoning FT Cityline on 0336 433 334. All calls cost 50p per minute.

Investors can buy and sell shares in an investment trust directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. However, in order to facilitate investment in the company, arrangements have been put in place for Dunedin Enterprise Investment Trust to remain part of the Edinburgh Fund Managers Investment Trust Savings Plan, ISA, Pension and PEP.

Products of Edinburgh Fund Managers plc

InvestIT – the Edinburgh Fund Managers investment trust savings plan offers a simple means of investing in Dunedin Enterprise Investment Trust for both adults and on behalf of children. Investors can make regular monthly payments (minimum £30 per month, (£20 per month in InvestIT for Children)) or invest occasional lump sums (minimum £250 initially and £30 thereafter (£150 initially and £20 thereafter in InvestIT for Children)). Existing shareholders can also transfer their shares into the InvestIT plan and have their dividends re-invested. There are no charges for buying and holding shares through InvestIT, except the 0.5% stamp duty which is currently payable on all share purchases. A transaction fee of £10 plus VAT is charged on all sales.

Individual Savings Account (ISA) – the Edinburgh Fund Managers Investment Trust ISA is a low-cost, tax-efficient savings vehicle. Two types of ISA are available, the Maxi (which for the tax year 2001/02 allows investors to invest up to £7,000 in Dunedin Enterprise Investment Trust) and the Mini. The initial charge is £30 plus VAT and the annual management charge is 0.5% plus VAT. No charges are made for buying and selling shares, except for stamp duty on purchases.

Personal Equity Plan (PEP) – it is no longer possible to open new PEPs, but existing investors can transfer between different PEP funds and providers without losing their tax advantages. A transfer plan is available whereby investors can transfer into a PEP invested in Dunedin Enterprise Investment Trust. No initial fee is charged and the annual management fee of 0.5% plus VAT is capped at £40.

Pension – the Edinburgh Fund Managers Investment Trust Pension enables investors to save for retirement by investing in Dunedin Enterprise Investment Trust. With the changes in Pension Regulations introduced in April 2001, an even wider range of investors can now enjoy the benefits of a Personal Pension. Contributions can be made regularly or by lump sums.

To obtain further information about any of the above plans, please call the Edinburgh Fund Managers Helpline free of charge on **0800 028 6789** or visit the Edinburgh Fund Managers website at www.edfd.com

Note

Please remember that past performance is not necessarily a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested. As with all equity investments, the value of investment trust shares purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread. Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs/PEPs, may be changed by future legislation.

The information on pages 52 and 53 is issued and has been approved for the purposes of Section 57 (Restrictions on Advertising) of the Financial Services Act 1986 by Edinburgh Fund Managers plc which is regulated by IMRO and the Personal Investment Authority. DCP is regulated in the conduct of its investment business by IMRO.



The company is a member of The Association of Investment Trust Companies

53 Information for Investors

For information and application forms on the InvestIT, ISA, Pension and PEP transfer and enquiries relating to existing holdings please contact:

Support Desk

Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Telephone 0131 313 1000
or FREE on 0800 028 6789 (24 hrs)

InvestIT Administrator

Lloyds TSB Registrars Scotland
Registrar Department (SP)
117 Dundas Street
Edinburgh EH3 5ED
Telephone 0870 606 0268

ISA/PEP Administrator

Cogent Investment Operations Limited
ISA/PEP Administrator
3 Finsbury Avenue
London EC2M 2PA
Telephone 0207 410 4018

Pension Administrator

Edinburgh Pension Centre
Personal Pension Management Limited
24-27 Barnack Business Centre
Blakey Road, Salisbury
Wiltshire SP1 2LP
Telephone 0800 137 079

54 Notice of Annual General Meeting

Notice is hereby given that the twenty seventh Annual General Meeting of the shareholders of Dunedin Enterprise Investment Trust PLC will be held at the offices of Dundas & Wilson CS, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN on Wednesday 22 August 2001 at 12.30pm for the following purposes:-

Ordinary Business

1. To receive and consider the Report of the Directors and the Accounts for the year to 30 April 2001.
2. To declare a dividend.
3. To re-elect as a Director Mr S G Kay who retires by rotation in accordance with the articles of association.
4. To re-elect as a Director Mr A S Dudgeon who retires by rotation in accordance with the articles of association.
5. To re-appoint KPMG Audit Plc as auditors and to authorise the Directors to determine the auditors' remuneration.

Special Business

To consider and, if thought fit, to pass the following ordinary resolutions:

6. That article 90 of the articles of association of the company be and hereby is amended by the deletion of "£60,000" where it appears in the second line thereof and the substitution therefore of "£120,000".
7. That, in substitution for any existing authority of the Directors, the Directors of the company be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (as amended and in force from time to time) ("the Act") to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £2,630,533 (being one-third of the issued share capital of the company at the date of the notice of this Annual General Meeting) provided that the authority hereby given shall expire five years after the passing of this resolution unless previously revoked, varied or extended by the company in general meeting save that the company may at any time prior to the expiry of such authority make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass the following special resolutions:

8. That, in substitution for any existing power under Section 95 of the Act where they are generally authorised for the purposes of Section 80 of the Act the Directors be and they are hereby empowered, pursuant to Section 95(1) of the Act, to allot equity securities (as defined in Section 94(2) of the Act) for cash as if Section 89(1) of the Act did not apply to any such allotment, provided that this power is limited:
 - (i) to the allotment of equity securities in connection with a rights issue in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly may be) to the respective numbers of ordinary shares held or deemed held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and
 - (ii) to the allotment (other than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal amount of £394,580; and shall expire on the conclusion of the next Annual General Meeting of the company after the passing of this resolution save that the company may, before this authority expires or is replaced, make an offer or agreement which would or might require equity securities to be allotted after such expiry or replacement and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired or, as the case may be, been replaced.
9. That the company be and it is hereby authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25 pence each provided that:
 - (i) the maximum number of ordinary shares hereby authorised to be purchased is 4,731,803;
 - (ii) the minimum price which may be paid for an ordinary share shall be 25 pence;
 - (iii) the maximum price (exclusive of expenses) which shall be paid for an ordinary share shall be an amount equal to 105 per cent of the average middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official list for the five business days immediately preceding the day on which the shares are purchased;

55 Notice of Annual General Meeting

- (iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the company in 2002 unless the authority is issued, revoked or renewed prior to such time; and
- (v) the company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

By Order of the Board
Dunedin Capital Partners Limited
Secretary
13 June 2001

Registered Office:
Napier House
27 Thistle Street
Edinburgh EH2 1BT

Notes

1. A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the company.
2. Proxy forms must be lodged not less than 48 hours before the meeting with the company's registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh, EH3 5ED. Completion of the form of proxy does not preclude a member from attending the meeting and voting in person.
3. There are special arrangements for holders of shares through the Edinburgh Fund Managers Investment Trust Savings Plan and the Edinburgh Fund Managers Investment Trust PEP or ISA. These are explained in the 'Letter of Directions' which such holders will have received with this report.
4. Pursuant to regulations 34 of the Uncertificated Securities Regulations 1995, the company has specified that to be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes they may cast), members must be entered on the register of members at 12.30pm on 20 August 2001. If the meeting is adjourned then, to be so entitled, members must be entered on the register of members 48 hours before the time fixed for the adjourned meeting, or, if the company gives notice of the adjourned meeting, at any other time specified in that notice.
5. Authorisation to Issue Shares
Resolutions 7 and 8 relate to the issue of shares. Resolution 7 renews the Directors' authority to allot unissued shares, up to a maximum of one third of the issued share capital of the company as at the date of this notice convening the AGM. Resolution 8 contains a renewal for a period up to 15 months from this year's AGM of the disapplication of shareholders' pre-emption rights granted to the directors on 23 August 2000. If approved, this resolution would empower the directors to issue shares for cash without applying pre-emption rights if the issue were made either in connection with a rights issue or would not exceed 5 per cent of the issued share capital as at the date of this notice convening the AGM.
6. Purchase of the company's own ordinary shares
At the AGM held on 23 August 2000 shareholders passed a resolution giving the company authority to make market purchases of up to 3,584,251 ordinary shares, being 14.99% of the issued ordinary shares of the company. During the period from 23 August 2000 to date the company purchased and cancelled 22,520 ordinary shares.
It was indicated at the time of the AGM last August that the directors expected to seek shareholders approval for renewal of the authority at each subsequent AGM. Resolution 9 set out in the notice of AGM seeks to renew this authority. The directors are recommending that the maximum number of shares authorised to be purchased shall be 14.99% of the shares in issue as at the date of this notice convening the AGM.
The company will only purchase shares at prices, which, after allowing for costs, represent a discount to the prevailing net asset value, thereby enhancing the net asset value of the shares. The authority will also assist the company to address any imbalance between the supply of, and demand for, its shares since with the authority to buy back its shares, the company will be able to create a new source of demand for its shares.
Under the Listing Rules of the Financial Services Authority, the maximum price that may be paid on the exercise of the authority must not exceed 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase. The minimum price which may be paid will be 25p per share. Purchases of shares will be made within guidelines established from time to time by the directors.

56 Financial Calendar

Announcements, dividend payments and the issue of the annual and interim reports may normally be expected in the months shown below:

June

Preliminary figures and recommended final dividend for the year announced.

July

Annual Report and accounts published.

August

Annual General Meeting and final dividend paid.

December

Interim dividend announced and interim report for half year to 31 October published.

January

Interim dividend paid.