



Dunedin

Dunedin Enterprise Investment Trust PLC
Annual Report and Accounts 2007

Objective

Dunedin Enterprise Investment Trust PLC specialises in the provision of private equity finance. Private equity is medium to long term finance provided in return for an equity stake in established, potentially high growth private companies.

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

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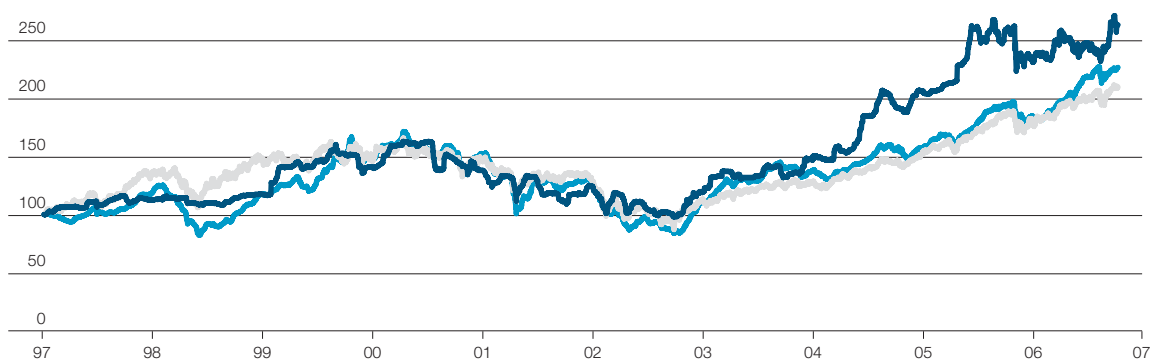
Financial Highlights

	30 April 2007	30 April 2006
Total return per ordinary share	54.8p	91.0p
Net asset value per ordinary share	541.9p	498.2p
Share price	462.0p	457.75p
Dividend per ordinary share	10.7p	9.45p
Special dividend per ordinary share	–	2.0p
Discount	14.7%	8.1%
Total expense ratio	2.4%	2.6%

Comparative Performance

Periods to 30 April 2007	1 Year %	3 Year %	5 Year %	10 Year %
Net asset value per ordinary share	8.8	57.5	66.0	83.9
Share price	0.9	79.1	86.7	81.5
FTSE Small Cap Index ("the Benchmark")	14.5	51.4	56.0	73.8
FTSE All Share Index	9.2	49.4	33.9	56.2

Ten Year Record



- Dunedin Enterprise Share Price Total Return
- FTSE All Share (Ex Inv Trusts) - Total Return
- FTSE Small Cap (Ex Inv Trusts) - Total Return

Source: Thomson Datastream

Portfolio Highlights – Exits

Davenham

www.davenham.co.uk

Davenham's flotation on the Alternative Investment Market in November 2005 allowed Dunedin Enterprise to realise a significant proportion of its investment while retaining a residual stake. Dunedin Enterprise realised the last of its shareholding in February 2007. Davenham provides lending solutions designed to meet the financing needs of UK SMEs, typically involving loans of between £10,000 and £4 million.

Dunedin Enterprise backed the management buyout ("MBO") of Davenham in June 2000. Post-MBO, Dunedin took an active role in supporting and advising the business, including raising two rounds of finance, facilitating an acquisition and working through multiple exit scenarios.

When Dunedin backed the MBO, Davenham employed 35 staff in one office. At the float, there were 130 employees in five offices, profits had quadrupled and the company's client base had increased from 250 to 2,500. Dunedin's support added considerable value to Davenham's business, helping to create one of the UK's leading independent SME funder.

davenham.

Brian Scouler, Managing Director of Portfolio at Dunedin commented: "We recognised from an early stage that Davenham provided the opportunity to back an exceptional regional business with good prospects to expand throughout the UK.

Once the deal was completed, one of the first key strategic inputs we made was the selection of a chairman, James Kerr-Muir. His long track record and experience enabled him to lead the board and implement significant senior management changes causing minimal disruption to the business. This was critical in effecting the strategic decisions which guided the success of the business."

David Coates, Chief Executive of Davenham commented: "Dunedin had the foresight to invest in Davenham which, although a highly profitable and growing business, did not represent a conventional private equity opportunity due to the existing high level of gearing which is natural for any lender. Since its initial investment in Davenham, Dunedin has played a key role, working closely with the management team, providing further financing to support both organic and acquisitive growth, and helping to drive the flotation process."

Portman Holdings Limited

www.portmantravel.com

Dunedin Enterprise exited from Portman Holdings Limited in February 2007. The business was sold in a secondary management buyout to Vision Capital, a secondary private equity investor. Portman is a UK-based business travel agency. It operates the UK's most extensive business travel branch network and is the second largest UK owned travel management specialist.

Dunedin supported the £22 million MBO of Portman from Motherwell Bridge in 1996, which was led by NatWest Ventures (now Bridgepoint).



Brian Scouler, Managing Director of Portfolio at Dunedin commented: "We are delighted with this exit. Dunedin takes an active approach to portfolio management, working closely with each portfolio company to help it maximise its potential. We aim to achieve an exit which meets or exceeds expectations for all parties involved, whether by trade sale, flotation, secondary buyout or refinancing at a time that is opportune for all shareholders."

ZVC Group Limited

www.zenith.co.uk

In June 2007, Dunedin Enterprise exited from ZVC Group ("Zenith") in a £40 million tertiary buyout to Barclays Private Equity. Zenith is a niche operator in its market and is now one of the UK's leading independent fleet management specialist to companies with car fleets of 250 to 1,500 cars. The company has a strong focus on providing excellent customer service and improving its offering through product innovation and effective use of technology.

Dunedin Enterprise invested in the £27 million secondary buyout of Leeds-based Zenith in July 2005. This investment was realised in under two years, well ahead of schedule. During the investment period Zenith achieved significant new customer gains, including EMAP, 3663 and Anchor Trust. This coupled with exceptional customer retention through excellent service provision has grown the fleet to over 18,000 vehicles from 13,000 two years ago.



Mark Ligertwood, Director of Dunedin commented: "Over the last two years, we have worked very closely with the Zenith management team to accelerate the company's growth by targeting new customers, extending the product offering and maintaining the market leading service to existing customers. We have used the Dunedin network to introduce potential customers, review acquisition targets and introduce service providers to increase processing efficiencies. The strength of Zenith's niche service proposition continues to be validated by a succession of new customer wins."

Andrew Cope, Chief Executive of Zenith said "Throughout the term of their investment, Dunedin has been a supportive financial partner and it has been a fantastic experience working with them. They have shared the management team's vision for growth from day one and have encouraged us every step of the way. They were the absolute standout of the people we spoke to, they were open and honest and acted with complete integrity."

Portfolio Highlights – New Investments

<p>etc.venues Group Limited www.etcvenues.co.uk</p> <p>In June 2006, Dunedin Enterprise invested £3.2 million in the £21 million management buyout/management buyin of etc.venues Group. Funding has been provided to facilitate a roll out across the UK.</p> <p>etc.venues is a provider of meeting, training and event space, operating from five venues in London. All venues are purpose designed and renowned for their well resourced facilities, range of flexible rooms and layouts, central locations and high levels of service.</p> <p>Dunedin was attracted to the strong management team which had demonstrated it had the skills to build a successful operation in the fiercely competitive London arena. The strategy going forward is to replicate this success at a regional level through implementing a roll out programme across the UK.</p> <p>etc.venues</p>	<p>Shaun Middleton, Managing Director, New Investment at Dunedin, commented: “We felt etc.venues was an excellent fit for the Dunedin Enterprise portfolio. We are backing a proven management team in an established business which is well positioned to grow through the roll out of its business on a regional level.”</p> <p>Alastair Stewart, Managing Director of etc.venues added: “We aligned ourselves with Dunedin for a number of reasons. We were impressed with the team – they don’t just wheel out the decision makers for the pitch, we dealt with the key Dunedin people right from the start. Dunedin’s experience in the hotels and leisure sector was also a defining factor in our decision. We found Dunedin to be fast and effective during the transaction. They took the time to understand our business drivers at the outset and thus are making a welcome and positive contribution to the strategy going forward.”</p>
<p>Capula Group Limited www.capula.co.uk</p> <p>In August 2006, Dunedin Enterprise invested £8.3 million in the £30 million secondary buyout of Capula Group. Capula is one of the UK’s leading independent providers of real time IT solutions to the energy and utility markets. The company provides real time automation systems to the nuclear, power generation and utilities markets, a specialised business which involves complex software programming and systems engineering.</p> <p>Capula is a clear market leader in its field and the accomplishments of the management team were a key factor in Dunedin’s decision to make the investment. Among other factors, Dunedin was attracted by a sector where government legislation and efficiency gains are driving increased capital expenditure. With strong technical expertise and a track record of delivery, Capula is well placed to benefit from this increased investment.</p> <p></p>	<p>John Hudson, Director of Dunedin commented: “This was an excellent opportunity to back a clear market leader in its field. The nuclear and utilities sectors are poised for considerable growth and we look forward to working with the Capula management team in developing the business.”</p> <p>Roger Turner, Chief Executive of Capula added: “Very quickly the team from Dunedin gained an appreciation of our business and the future growth potential in our markets. They have an open and straightforward approach to business, which is appealing. We needed a team we could trust and work closely with. I believe these are key attributes in any successful business partnership and the main reasons for selecting Dunedin as our financial backer.”</p>
<p>WFEL Holdings Limited www.wfel.co.uk</p> <p>In December 2006, Dunedin Enterprise invested £6.4 million in the £48 million management buyout of WFEL Holdings.</p> <p>WFEL is a world leading manufacturer of mobile bridges. It provides high specification, high functionality, complex bridging systems predominantly to the US Department of Defence. WFEL has a suite of mobile bridge products which also have applications in disaster relief and to meet other civil situations around the world. These bridge systems can be transported by vehicles and helicopters or dropped by parachute from aircraft. In addition, WFEL is the sole supplier of specialist consumable steel rods used in the reactors of the UK’s fourteen Advanced Gas Cooled Nuclear reactors.</p> <p>Dunedin’s origination team identified WFEL as a world-leading business that also appeared to be a ‘corporate orphan’. Dunedin’s initial approaches to the company, before it was for sale, gave Dunedin the edge over its competitors in winning the mandate to back the management team once the business was auctioned.</p> <p></p>	<p>Dougal Bennett, Director of Dunedin commented: “We had been tracking WFEL for some time and had forged a very close relationship with the management team. Through integrating design, specification, manufacture and assembly of each critical component into a single site operation they have been able to ensure control over WFEL’s processes and therefore over its quality of output which is outstanding. We have invested in a strong core business with a number of exciting growth opportunities.”</p> <p>Ian Wilson, Managing Director of WFEL added: “The management team at WFEL are very excited about this new phase in our business. Dunedin’s support throughout has been tremendous. Dunedin’s backing will allow us to strengthen the existing core business, enabling the potential for further growth whilst maintaining the strong relationships and product base which has made WFEL what it is today. We felt there was a natural fit between WFEL and Dunedin, in particular in terms of enthusiasm, integrity and pride in the business.”</p>

Chairman's Statement



Edward Dawnay, Chairman

Overview

I am pleased to report another year of growth in the net asset value of your Company.

During the year to 30 April 2007, net assets rose to £163.7 million and net asset value per share rose to 541.9p, an increase of 8.8% over the previous year (2006: 19.7%). This compares to a rise in the FT Small Cap Index of 14.5% over the same period (2006: 25.0%).

The Board is recommending a final dividend of 8.6p making a total dividend for the year of 10.7p, a 13% increase on last year, excluding the special dividend. The final dividend will be paid on 21 September 2007 to shareholders on the register on 31 August 2007.

New investment totalled £43.3 million (2006: £21.6 million) and realisations of £27.6 million (2006: £70.0 million) were achieved. This is the first year since 2001 in which new investment has exceeded realisations. The strong continuing level of realisations demonstrates that the policy of investing in mid-market buyouts, nurturing and growing them and then selling or floating them, remains a successful investment strategy.

Following an extended run of successful realisations your Company has built up a significant cash balance, which is essential for future investment. However, cash does not provide the high level of returns that successful private equity investments do and consequently investment returns this year are more modest than they have been in prior years.

It must be remembered that the private equity market is cyclical and a downturn, such as we saw in 2001 and 2002, can occur very quickly. Many commentators believe that we are approaching the top of the cycle in the UK which has been fuelled by low interest rates and the ready availability of debt. Your Company is well positioned for future growth as it has a young portfolio underpinned by significant cash to make new investments.

The private equity sector

The private equity sector continues to evolve in a way that was almost inconceivable ten years ago. From very

modest origins, it is estimated that private equity backed companies now generate sales of £424 billion, exports of £48 billion and contribute over £26 billion per year in taxes. The 2006 figures show that UK private equity has once more outperformed Total UK Pension Fund Assets and the principal FTSE Indices over three, five and ten years. Total funds raised by BVCA members in 2006 amounted to £34 billion, up from £27 billion the previous year. World wide investment by UK private equity firms amounted to £21 billion, of which £10 billion was invested in the UK.

Private equity-backed businesses are now a significant driver of the UK economy. It is estimated that companies that have recently received private equity funding account for the employment of around 2.8 million people, equivalent to 19% of the UK private sector workforce.

Continuing success has inevitably attracted additional capital to the asset class and has increased the price of businesses seeking private equity backing. The market has favoured sellers and increased competition for buyers. Dunedin Enterprise has benefited from this trend as it has made significant profits from realisations over recent years. The other side of the coin is that finding new investment opportunities at attractive prices is a challenge. Your Manager has maintained its investment discipline and continues to seek out value in private companies with a good track record, a defensible market position, barriers to entry and strong growth prospects.

With the substantial inflows of global capital into private equity, successful private equity managers like Dunedin Capital Partners ("Dunedin"), are able to attract increasing funds under management. These are typically structured as ten year limited partnership funds with a preferred return to investors and a profit share to the manager.

In 2001, your Manager raised a £54 million buyout fund, the Dunedin Buyout Fund I ("DBF I"). Since 2001, Dunedin Enterprise has invested alongside, and as a partner in, DBF I. During the year under review, DBF I became 94% invested and reached the end of its investment period. It has already returned 104% of amounts drawn to investors and Dunedin Enterprise, as an investor in, and co-investor with the fund, has benefited from this excellent investment performance. Since the year end, Zenith has been sold and Practice Plan has been recapitalised. There are seven remaining investments in DBF I.

In 2006, Dunedin raised a new buyout fund, Dunedin Buyout Fund II ("DBF II"). DBF II was significantly over-subscribed, has attracted 21 investors from the UK and continental Europe, and closed at £250 million. Dunedin Enterprise made a substantial commitment of £75 million to this fund and will therefore have guaranteed access to Dunedin's new investment dealflow. The fund has made its first investment of £18 million and further investments are under consideration.

In recognition of its achievements in making new investments, concluding successful exits, raising its new

buyout fund and growing the size of its business, Dunedin was voted the BVCA / Real Deals Private Equity House of the Year, 2007. I hope you will join me in congratulating Dunedin on this prestigious award.

Portfolio Activity

During the year under review there was some considerable activity in the portfolio; £43.3 million was invested and disposals of £27.6 million were made, at an uplift of £4.5 million, a 21% uplift over the valuation at the start of the year. In aggregate, there was a net investment outflow of £15.7 million in the year.

The principal investments included £15 million in SWIP Private Equity Fund of Funds II PLC, a portfolio of investments in buyout and venture capital funds; £8.3 million in Capula, the UK's leading provider of real time information systems to the power generation and utilities sectors; and £6.4 million in WFEL, a global leading company in the manufacture and supply of mobile bridges. The principal disposals were of the residual stake in Davenham (£8.1 million) and of Portman Travel (£6.1 million). Full details are set out in the Manager's Review.

Portfolio Development

One of Dunedin Enterprise's features over the years has been its ability to invest in a range of investments and investment vehicles. As the Company has grown, the nature of its investments has evolved. Up to a decade ago, Dunedin Enterprise mainly participated in syndications of transactions led by other private equity houses. In the past decade, it has principally invested in small and mid-market UK buyouts led by Dunedin but has also made commitments to partnership funds managed by other private equity managers. In this way, it has obtained a degree of diversification.

The principal investment activity is now through the £250 million Dunedin Buyout Fund II, which is focused exclusively on UK mid-market buyouts, and in which Dunedin Enterprise has the largest commitment amounting to £75 million. Drawdown on DBF II has begun with the investment in WFEL and this process is expected to take three to four years to complete.

As discussed above, some market commentators are concerned that we may be approaching the top of another private equity market cycle in the UK. In addition, there has been a great deal of media comment about the tax treatment that private equity enjoys in the UK and there are a number of reviews underway to examine this. With these factors in mind, your Board believes that it would be prudent to increase the level of diversification in the portfolio whilst still focusing on private equity in general and buyouts in particular.

Consequently, an investment of £15 million was made in SWIP Private Equity Fund of Funds II PLC, a portfolio of buyout and venture capital funds managed by Scottish Widows Investment Management. This portfolio comprises 40 fund investments made since 2000. It gives Dunedin

Enterprise exposure to a diversified portfolio of mature funds managed by established private equity managers.

In addition, the Board has approved investments in a small number of listed European private equity companies with a similar investment strategy to Dunedin Enterprise. This will give all shareholders, and smaller shareholders in particular, access to a broader range of private equity backed businesses in markets where Dunedin does not make direct investments. As at 30 April 2007, £4.3 million had been invested in listed private equity companies and this has risen to £16.6 million by 19 June 2007.

In addition to the above, the Board will make a small number of commitments each year to private equity funds which have an investment strategy which complements Dunedin Enterprise's objective of achieving substantial long term capital growth in its assets through capital gains from its investments. This is a continuation of what has occurred over recent years where the Board has made commitments of £37 million to a number of buyout and venture capital funds managed by private equity houses other than Dunedin. There is currently £15 million of investment in, or outstanding commitments to, such funds.

Board Appointment

Brian Finlayson was appointed to the Board on 1 January 2007. Until 2002 Brian was Deputy Chairman of Dunedin. His knowledge and experience of private equity will be invaluable to the further development of the Company.

Sandy Dudgeon retired from the Board on 31 December 2006 after nearly nine years as a Director. The Board wishes to express its gratitude for his contribution.

Accounting Year End

As previously notified in the Interim Report, the accounting year end of the company will change from 30 April to 31 December. This change will take effect from 31 December 2007. It is the intention of the Board to pay a pro-rata interim dividend in December 2007 and a pro-rata final dividend in April 2008. Thereafter an interim dividend will typically be paid in August with a final dividend in the following April.

Annual General Meeting

The AGM will be held, as last year, at the Merchants Hall in Hanover Street, Edinburgh on 19 September 2007 and I look forward to welcoming shareholders. The AGM will be followed by a presentation by the Manager, reviewing the year and commenting on the outlook.

Edward Dawnay,
Chairman
19 June 2007

Board of Directors



* Members of the Audit and Management Engagement Committee.
Members of the Nomination Committee.

Edward W Dawnay, FCA (57)** was appointed to the Board in 1995 and became Chairman in 1999. A chartered accountant, he worked for Lazards for 19 years until 1993 and is currently an adviser to Fleming Family and Partners. He was appointed a director of Treat plc in 1994, becoming Chairman in 2001. In addition, he is a Director of various private companies.



David Gamble (63)** was appointed to the Board in 2001. From 1993 until his retirement in 2003, he was Chief Executive of British Airways Pension Investment Management Limited. He is a non-executive Director of two further investment trusts, JP Morgan Emerging Markets Investment Trust plc and Polar Capital Technology Trust PLC and Chairman of Montanaro UK Smaller Companies Investment Trust PLC. He is also a Director of IBM UK Pensions Trust Limited, Chairman of Hermes Property Unit Trust and a non-executive director of Strathdon Investments PLC and New Star Asset Management Group PLC. He also holds other advisory and non-executive positions.



Liz Airey (48)** was appointed to the Board in 2005. She has over 20 years experience in banking, corporate advisory and finance. She worked as Finance Director of Monument Oil and Gas plc from 1990 to 1999. She is non-executive Chairman of JPMorgan European Fledgeling Investment Trust plc, Director of Harrison Lovegrove & Co Limited, non-executive Chairman of Zetex plc, non-executive Director of Tate & Lyle plc and senior independent non-executive Director of Amec plc.



Brian Finlayson (60)** was appointed to the board in 2007. He has over 30 years experience in private equity and corporate finance. He was appointed managing director of Dunedin Capital Partners in 1990, becoming deputy chairman in 1999 and retiring in March 2002. He is currently a non-executive director of Latchways plc and Quayle Munro Holdings plc.



Willie Haughey (50)** was appointed to the Board in 2005. He is Executive Chairman of Glasgow-based City Refrigeration Holdings Limited, a company he set up in 1985. It is now one of the UK's largest specialist refrigeration and facilities management companies. He is Chairman of Scottish Enterprise Glasgow, Chairman of Careers Scotland and a Board Member of The Smith Group.



Simon Miller (54) was appointed to the Board in 1999 and has been Chairman of Dunedin Capital Partners Limited since 1994. He is Chairman of Artemis Alpha Trust PLC and Noble AIM VCT PLC, Deputy Chairman of JPMorgan Elect plc and a non-executive Director of Brewin Dolphin Holdings PLC.



Bruce Patrick (61)** was appointed to the Board in 2003. He qualified as a solicitor in 1973 and became a Partner in Maclay Murray & Spens in 1976. Much of his time as a corporate lawyer was spent advising various providers of venture capital. He was Managing Partner from 1991 to 1994 and Senior Partner from 2000 until his retirement in 2003.

The Manager



Ross Marshall (49)

is the Principal Fund Director for Dunedin Enterprise and the Chief Executive of Dunedin Capital Partners Limited ("Dunedin"). He joined Dunedin in 1994. He has over 20 years private equity experience, including leading the negotiations for the MBO of Dunedin in 1996. His responsibilities include day-to-day management of Dunedin, chairing Dunedin's investment committee and investor relations.

He graduated with a BCom with distinction from the University of Edinburgh in 1979 and he qualified as a chartered accountant in 1982. He subsequently spent two years with Price Waterhouse and ten years with 3i in Glasgow, Edinburgh and Birmingham, where he was an investment director for UK private equity.

Investment Strategy

Dunedin is an independent private equity manager owned by its directors and staff. The company specialises in providing private equity finance. It operates throughout the UK from its offices in Edinburgh and London.

Private equity investment involves originating investment opportunities, assessing the growth prospects for these companies, negotiating an appropriate investment structure, managing and adding value to those companies and identifying the most appropriate time and route to exit through a sale or flotation.

Private equity as an asset class has shown investment return out-performance against other asset classes over the long term. This is due to active portfolio management of companies with strong management teams whose interests are closely aligned to their institutional shareholders through management having a meaningful equity stake in the companies they run. In addition, the use of appropriate levels of debt within portfolio companies increases equity returns.

The private equity market in the UK has grown significantly over the past ten years. There are now 208 full members of The British Private Equity and Venture Capital Association ("BVCA") managing over £194 billion of private equity funds for investment in the UK, Continental Europe and the rest of the world.

The private equity market has become much more segmented with different funds investing in early stage venture capital, expansion capital, mid-market buyouts and very large buyouts. Dunedin Enterprise invests primarily in UK mid-market buyouts with a company value in the £10 million to £75 million range.

Growth in the value of investments can be achieved in a number of ways. A buy and build strategy involves investing in a company and growing it through the acquisition of other complementary businesses. Sometimes it is more appropriate to pursue a strategy of rolling out additional business outlets. Some companies are able to create value through exploiting new market opportunities. Occasionally, it is possible to create value simply through buying a cash generative, stable business for a favourable price and then using cash flow to reduce debt and increase equity value.

Dunedin Enterprise has additionally made commitments to funds managed by other private equity managers with a similar investment strategy to Dunedin Enterprise. This will give all shareholders, and smaller shareholders in particular, access to a broader range of private equity backed businesses in markets in which Dunedin does not make direct investments.

Ultimately, Dunedin seeks to provide a broad based portfolio of attractive and well managed investments that spreads sector risk whilst providing real opportunities for substantial growth.

Manager's Review

Overview

Net asset value per share increased by 8.8% in the year from 498.2p to 541.9p (2006: 19.7%) and the net asset value total return per share over the year was 11.4% (2006: 22.3%).

The Company's share price rose by 0.9% (2006: 32.3%) from 457.75p to 462p at 30 April 2007. As at 19 June 2007, the share price is 487.5p and the discount to net asset value stands at 10% per share.

The growth in net asset value has been driven by the following factors:

	£'m
Net asset value at 30 April 2006	151.3
Unrealised value increases	17.1
Unrealised value decreases	(9.3)
Realised profit over opening valuation	4.5
Other revenue and capital movements	3.6
Dividends paid to shareholders	(3.5)
Net asset value at 30 April 2007	163.7

Realisations

The Company received £27.6 million during the year from the sale of five portfolio companies, from the sale of companies in LGV partnership funds and from the redemption of loan stock by portfolio companies. This generated a profit of £4.5 million over the valuation at the start of the year, representing an uplift of 21%.

AIM, the legal software design company, was sold to Computer Software Group in May 2006. The realisation generated proceeds of £1.7 million, producing a 19% IRR and a money multiple of 1.8 times.

Portman was sold in January 2007 to a secondary buyout led by Vision Capital generating proceeds of £6.1 million. Portman is the UK's largest independent travel management network, operating in the UK from over 30 offices. Dunedin Enterprise received capital and income of £9.0 million from the investment, a money multiple of four times and an IRR of 16% over the ten years of ownership.

The remaining quoted holding in Davenham was realised in February 2007 generating proceeds of £8.1 million. Davenham provides niche short-term lending products to growing businesses throughout the UK. Dunedin Enterprise has received capital and income of £22.1 million from the investment, a money multiple of four times original investment and an IRR of 31% over the six years of ownership.

There were three significant realisations from within the LGV partnership funds in which Dunedin Enterprise is invested. The Club Company, one of the UK's leading golf and country club operators, was sold in a secondary buyout to Boundary Capital in June 2006. Vue Cinemas, the cinema chain operator in the UK and Ireland, was sold in a secondary buyout to Bank of Scotland in June 2006. Tragus, the operator of the Café Rouge and Bella Pasta restaurant chains, was sold in a secondary buyout to Blackstone Group in December 2006. In total Dunedin Enterprise received £6.9 million from the sale of these three investments compared to an original cost of £2.1 million.

Dunedin Enterprise's investments in Travel & General and Blaze Signs were sold during the year realising £2.6 million and £1 million respectively. It is worth noting that Dunedin Enterprise first invested £250,000 in Travel & General, the specialist insurance company, when it was a start up in 1983, a good example of the long-term support that private equity can give to growing businesses. Proceeds from the redemption of loan stock and sundry other investments generated £1.2 million.

New Investments

In the year to 30 April 2007, the Company invested £43.3 million (2006: £21.6 million) in seven new portfolio companies and twelve existing portfolio companies.

In June 2006, Dunedin Enterprise invested £3.2 million in the management buyout of etc.venues Group Limited. etc.venues is a leading independent provider of meeting, training and event space. The company has five training and conference venues in London. All venues are purpose designed and renowned for their well resourced facilities. The company has plans to develop further venues in London and other cities throughout the UK.

In August 2006, Dunedin Enterprise invested £8.3 million in the management buyout of Capula Group Limited. Capula provides real time automation systems to the nuclear, power generation and utilities industries. This is a specialised business which involves complex software programming and systems engineering. Capula has a strong market position in its core markets, providing IT systems which control much of the electricity and water distributed throughout the UK and at a number of plants at the Sellafield nuclear facility.

In December 2006, Dunedin Enterprise invested £6.4 million in the management buyout of WFEL Holdings Limited. WFEL is a world leading manufacturer of mobile bridges. The company provides high specification, high functionality and complex bridging systems predominantly to the US Department of Defence and also to the UK Ministry of Defence. In addition, WFEL is the sole supplier of specialist consumable steel rods used in the reactors in fourteen of the UK's nuclear power stations.

As described in the Chairman's Statement, in April 2007, Dunedin Enterprise invested £15.0 million in SWIP Private Equity Fund of Funds II PLC ("SWIP II"). SWIP II is a portfolio of 40 private equity fund investments in large European buyout funds, mid-market European buyout funds, European and US venture funds, a mezzanine and a secondaries fund. The funds have vintage years 2000 to 2007.

In April 2007, Dunedin Enterprise invested a total of £4.3 million in three quoted European Private Equity companies. CapMan PLC is a pan-Nordic private equity company based in Helsinki and listed on the Helsinki Stock Exchange. It invests in mid-market buyouts, technology, life sciences and real estate. Deutsche Beteiligungs AG is the oldest German private equity company, based in Frankfurt and listed on the Frankfurt Stock Exchange. It invests in mid-market buyouts in Germany. GIMV is the largest Belgian private equity company, is based in Antwerp and listed on Euronext Brussels. It invests in mid-market buyouts, technology and life sciences in Belgium, Holland and Germany.

Unrealised Movements

The table below summarises the main components of unrealised valuation movements in the year to 30 April 2007.

	£'m	£'m
Value increases		
• Imminent realisations	3.4	
• Move from cost to earnings valuation	8.3	
• Trading performance	2.7	
• Debt reduction	1.2	
• Price earnings movements	1.4	
• Other	0.1	
		17.1
Value decreases		
• Trading performance	(7.3)	
• Other	(2.0)	
		(9.3)
Net unrealised value movements		7.8

Two portfolio companies, Zenith and Practice Plan have contributed £11.7 million to unrealised valuation increases.

Dunedin led the £27 million secondary buyout of Zenith, the provider of car fleet management services, in June 2005. The company has grown strongly over the past two years and, in a £40 million tertiary buyout in June 2007, Dunedin realised its investment. Dunedin Enterprise invested £7.5 million in 2005 and has received a total of £12.5 million from this investment in capital and income. The investment has returned a money multiple of 1.7 times which represents an IRR of 33% over two years. We have valued the investment at 30 April 2007 at a 10% discount to the ordinary share value received on exit.

Dunedin led the buyout of Practice Plan, the UK's second largest dental payments business, in August 2005. In May 2007, the company undertook a £26 million recapitalisation. Dunedin Enterprise realised £6.7 million on the recapitalisation and re-invested £9.3 million. The investment has returned a money multiple of 1.7 times on the original investment which represents an IRR of 37% in under two years. We have valued the investment at 30 April 2007 at a 10% discount to the ordinary share value received on exit.

Two further portfolio companies, CGI and ABI, have contributed £5.4 million to unrealised valuation increases. CGI, the specialised fire glass manufacturer, grew profits strongly in the year to 31 December 2006 and has paid off buyout debt ahead of schedule. ABI, a leading manufacturer of leisure homes, has also seen strong profit growth in the current year.

The valuation of Dunedin Enterprise's investments in New Horizons and RSL Steeper have been written down by £5.3 million in the year. Challenging market conditions and a reduction in local and national government spending have adversely affected trading at both companies. Five other portfolio investments accounted for £2.4 million and management fees on DBFII have contributed a further £1.6 million of the unrealised valuation decreases.

Manager's Review continued

Valuation Basis

	£'m	2007 %	£'m	2006 %
Cost	32.6	34	30.1	45
Earnings multiple	30.7	32	23.0	35
Imminent transaction	12.0	13	2.5	4
Net asset value	–	–	2.3	3
Quoted bid price	19.3	21	8.7	13
	94.6	100	66.6	100

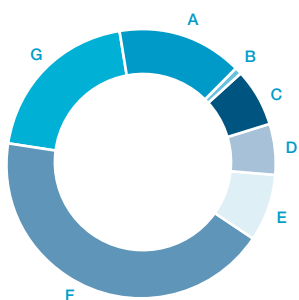
Portfolio Analysis

	£'m	2007 No.	£'m	2006 No.
Unquoted companies	66.2	18	46.9	19
Listed private equity	19.3	4	8.7	1
Buyout funds	5.5	5	7.8	5
Technology funds	3.6	4	3.2	4
	94.6	31	66.6	29

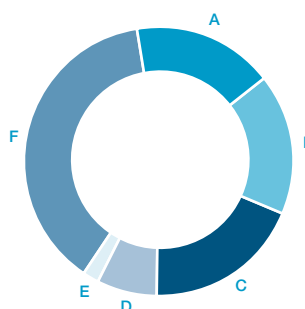
Investment Category

	£'m	2007 %	£'m	2006 %
Management buyouts/buyins	65.6	69	52.7	79
Buyout funds	5.5	6	7.8	12
Technology funds	3.6	4	3.2	5
Listed private equity	19.3	21	–	–
Other	0.6	–	2.9	4
	94.6	100	66.6	100

Portfolio Analysed by Industry Sector



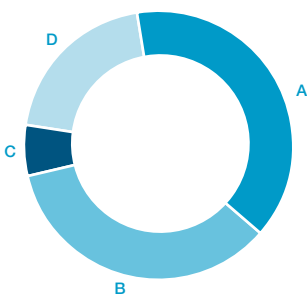
2007



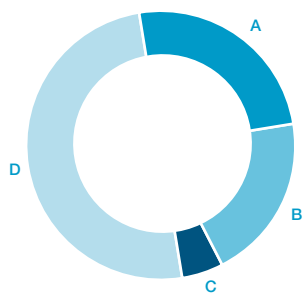
2006

	2007 %	2006 %
A Construction and building materials	14	17
B Financial services	1	17
C Healthcare	7	19
D Leisure and hotels	6	7
E Specialist manufacturing	8	2
F Support services	43	38
G Listed private equity	21	-
	100	100

Portfolio Analysed by Age



2007



2006

	2007 %	2006 %
A Less than 1 year	39	25
B 1-3 years	35	20
C 3-5 years	6	5
D More than 5 years	20	50
	100	100

Top Twenty Investments (held directly and via funds)



Percentage of equity held	9.0%
Cost of investment	£15.0 million
Directors' valuation	£15.0 million
Percentage of Dunedin Enterprises net assets	9.2%

Percentage of equity held	37.9%
Cost of investment	£5.9 million
Directors' valuation	£13.7 million
Percentage of Dunedin Enterprises net assets	8.4%

SWIP Private Equity Fund of Funds II Plc

In April 2007, Dunedin Enterprise invested £15 million in the SWIP Private Equity Fund of Funds II Plc.

The company is a portfolio of 40 private equity fund commitments to large pan-European buyout funds, mid-market European buyout funds, European and US venture and bioscience funds, a mezzanine and a secondaries fund.

SWIP Private Equity Fund of Funds II Plc is listed on the Dublin stock exchange and has a three year investment period.

CGI Group Limited

In December 1998, Dunedin Enterprise invested £4.4 million in CGI International. In 2004, Dunedin Enterprise participated in the £25 million recapitalisation of CGI International, resulting in the formation of CGI Group.

The company, which operates from a purpose-built factory in Haydock, Merseyside, manufactures and supplies fire resistant glass to a worldwide market. Some 70% of the company's sales are made for export to markets in Europe, the Far East and elsewhere. The company has been awarded the Queen's Award for Enterprise for its export achievements.

The company's principal fire glass product is Pyroguard, which features a unique, patented, wire-free fire resistant glass. This glass is particularly versatile as it can be readily cut to the desired size. This product type is increasingly demanded by international building codes and regulations.

In the year ended 31 December 2006, the audited net profit after tax of CGI Group was £1.5 million (2005: £1.4 million) on turnover of £13.3 million (2005: £11.9 million). Loan interest of £384,185 was received by Dunedin Enterprise during the year to 30 April 2007 (2006: £267,259). The net assets of CGI Group at 31 December 2006 amounted to £3.6 million (2005: £2.1 million).



Percentage of equity held	26.2%
Cost of investment	£4.3 million
Directors' valuation	£12.5 million
Percentage of Dunedin Enterprises net assets	7.7%

Percentage of equity held	20.8%
Cost of investment	£7.0 million
Directors' valuation	£10.4 million
Percentage of Dunedin Enterprises net assets	6.4%

Practice Plan Group (Holdings) Limited

In September 2005, Dunedin Enterprise invested £4.3 million in the management buyout of Shropshire-based Practice Plan Group. In May 2007, Dunedin Enterprise participated in the £26 million recapitalisation of Practice Plan.

Practice Plan is one of the UK's leading providers of independent payment schemes to dental practices. The company is involved in the creation and facilitation of healthcare maintenance schemes for healthcare professionals.

Practice Plan works with a dental practice in developing a patient cost plan and provides assistance in the production of marketing material and direct debit collection services on behalf of the dental practice.

While these maintenance schemes are principally aimed at the dental sector, Practice Plan offers similar services to veterinary practices and independent opticians.

In the year ended 30 June 2006, the audited net profit after tax of Practice Plan was £0.2 million on turnover of £6.7 million. Loan interest of £284,839 was received by Dunedin Enterprise during the year to 30 April 2007 (2006: £188,588). The net assets of Practice Plan at 30 June 2006 amounted to £0.7 million.

ZVC Group Limited

Dunedin Enterprise invested £7.5 million in the £27 million management buyout of ZVC Group ("Zenith") in June 2005. Dunedin Enterprise realised its investment following a £40 million tertiary buyout of Zenith in June 2007.

Zenith is a niche provider of bespoke fleet management services, normally to companies with car fleets of between 250 and 1,500 cars. The company has a strong service culture, combined with a focus on the effective use of information technology allowing it to develop a blue chip client base including Asda, DuPont, Ernst & Young, Persimmon, BUPA and logistics specialists 3663.

Zenith manages vehicles financed by third parties providing a complete outsourced fleet management service to customers which can include logistics and accident and maintenance management.

In the year ended 31 March 2007, the audited net loss after tax of Zenith was £0.1 million on turnover of £64.5 million. Dividends and loan interest of £400,494 were received by Dunedin Enterprise during the year to 30 April 2007 (2006: £306,604). The net assets of Zenith at 31 March 2007 amounted to £0.2 million.



Percentage of equity held	35.5%
Cost of investment	£8.3 million
Directors' valuation	£8.3 million
Percentage of Dunedin Enterprises net assets	5.1%

Percentage of equity held	24.2%
Cost of investment	£6.4 million
Directors' valuation	£6.4 million
Percentage of Dunedin Enterprises net assets	3.9%

Capula Group Limited

Dunedin Enterprise invested £8.3 million in the £30 million secondary buyout of Capula Group in August 2006.

Capula is one of the UK's leading independent providers of real time IT solutions to the energy and utility markets. The company provides real time automation systems to the nuclear, power generation and utilities markets, a specialised business which involves complex software programming and systems engineering.

Capula has a strong market position in its core markets of power generation and the nuclear industry, providing IT systems which control much of the electricity distributed across the UK and IT services to the majority of the plants at the Sellafield nuclear site.

Annual results have not been reported as the investment is less than 12 months old.

WFEL Holdings Limited

In December 2006 Dunedin Enterprise invested £6.4 million in the £48 million management buyout of WFEL Holdings.

WFEL is a world leading manufacturer of mobile bridges. It provides high specification, high functionality, complex bridging systems predominantly to the US Department of Defence. WFEL has a suite of mobile bridge products which also have applications in disaster relief and to meet other civil requirements around the world. These bridge systems can be transported by vehicles and helicopters or dropped by parachute from aircraft.

In addition, WFEL is the sole supplier of specialist consumable steel rods used in the reactors of the UK's fourteen Advanced Gas Cooled Nuclear reactors.

Annual results have not been reported as the investment is less than 12 months old.



etc.venues

Percentage of equity held	21.1%
Cost of investment	£0.2 million
Directors' valuation	£3.9 million
Percentage of Dunedin Enterprises net assets	2.4%

Percentage of equity held	28.1%
Cost of investment	£3.2 million
Directors' valuation	£3.2 million
Percentage of Dunedin Enterprises net assets	1.9%

ABI (UK) Group Limited

In February 2004, Dunedin Enterprise invested £3.7 million in the management buyout of ABI (UK) Limited. In March 2005, Dunedin Enterprise participated in the recapitalisation of ABI (UK) Limited and the formation of ABI (UK) Group Limited. The recapitalisation allowed £5.8 million to be distributed to Dunedin Enterprise.

ABI is the fourth largest leisure home manufacturer in the UK and has plans to expand via acquisitions in Europe. The company produces a wide range of leisure homes, which it sells to holiday park operators and to distributors throughout the UK. The company employs 350 people at its base in Beverley, East Yorkshire.

In the year ended 31 August 2006, the audited net profit after tax of ABI was £0.1 million (2005: £1.3 million) on turnover of £30.0 million (2005: £19.7 million). The net assets of ABI at 31 August 2006 amounted to £22.1 million (2005: £22.0 million).

etc.venues Group Limited

In June 2006 Dunedin Enterprise invested £3.2 million in the £21 million management buyout/management buyin of etc.venues Group. Funding has been provided to facilitate a roll out across the UK.

etc.venues is a provider of meeting, training and event space, operating from five venues in London. All venues are purpose designed and renowned for their well resourced facilities, range of flexible rooms and layouts, central locations and high levels of service.

Annual results have not been reported as the investment is less than 12 months old.



Percentage of equity held	2.7%
Cost of investment	£2.2 million
Directors' valuation	£2.9 million
Percentage of Dunedin Enterprises net assets	1.8%

Percentage of equity held	28.9%
Cost of investment	£4.0 million
Directors' valuation	£2.9 million
Percentage of Dunedin Enterprises net assets	1.8%

LGV 4 Private Equity Fund LP

In 2004, Dunedin Enterprise committed £5 million to the LGV4 Private Equity Fund, a partnership fund managed by Legal & General Ventures. The fund invests in European management buyouts and buyins where the typical equity investment range is £20 million to £60 million with a transaction size of between £60 million and £300 million.

The investments are made in cash generative businesses in growth markets in Legal & General Ventures' core industry sectors of consumer, leisure and services (including healthcare) and with a geographic focus of the UK and Ireland.

RSL Steeper Holdings Limited

In December 2005, Dunedin Enterprise invested £4.0 million in the management buyout of RSL Steeper Holdings, the UK's leading supplier of rehabilitation services to the NHS including prosthetic (artificial limbs), orthotic (external supports) and electronic assistive devices and services (electronic devices to assist in daily living).

RSL operates local orthotic clinics and regional prosthetic service centres in NHS hospitals, providing clinical assessments and fitting services. Headquartered in Rochester, Kent, the company employs 450 people and manufactures a wide range of bespoke products and supplies third party standard products. In addition, RSL manufactures and markets its own range of upper limb and prosthetic cosmetic covers with a number of exclusive distribution agreements.

In the three month period ended 28 February 2006, the audited net profit after tax of RSL Steeper was £0.1 million on turnover of £6.8 million. The net assets of RSL Steeper at 28 February 2006 amounted to £0.2 million.

The Remaining Investments in the Top Twenty (held directly and via funds)

Company year end	Proportion of fully diluted capital owned %	Book cost £'000	Valuation £'000	Percentage of net assets
Description of business				
GIMV Investment made April 2007 Quoted private equity fund	0.2	1,733	1,728	1.1%
Gardner Group Limited 31.08.06 Manufacture of machined aerospace components	24.2	5,644	1,591	1.0%
Total Fitness Group Limited 31.03.06 Operator of leisure clubs	6.2	4,084	1,422	0.9%
Deutsche Beteiligungs AG Investment made April 2007 Quoted private equity fund	0.5	1,316	1,340	0.8%
New Horizons (Childcare) Holdings Limited 30.06.06 Operator of children's care homes	31.6	6,570	1,317	0.8%
CapMan plc Investment made April 2007 Quoted private equity fund	0.7	1,232	1,228	0.7%
ADD One LP 31.12.06 Unquoted equity partnership fund	0.7	2,713	1,203	0.7%
LGV5 Private Equity Fund LP 31.12.06 Unquoted equity partnership fund	2.5	1,185	1,098	0.7%
Advent Private Equity Fund III LP 31.12.06 Unquoted equity partnership fund	0.7	1,722	924	0.6%
LGV3 Private Equity Fund LP 31.12.06 Unquoted equity partnership fund	2.4	1,532	857	0.5%

Long Term Record

Year ended 30 April	Revenue available for ordinary shareholders		Per Ordinary Share			
	Net assets £'000	£'000	Net asset value p	Earnings p	Dividend p	Share price p
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
2002	101,840	4,115	326.5	13.5	12.85	247.5
2003	95,492	3,475	309.3	11.1	12.85	218.5
2004	105,687	2,846	344.0	9.2	8.57	258.0
2005	126,423	3,184	416.3	10.4	9.0	346.0
2006	151,304	4,236	498.2	13.9	11.45	457.75
2007	163,717	3,727	541.9	12.3	10.7	462.0

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

Information for Investors

Dunedin Enterprise is managed by Dunedin Capital Partners Limited (“Dunedin”). Dunedin is authorised and regulated by the Financial Services Authority. All enquiries in relation to Dunedin Enterprise, other than those related to Alliance Trust or Aberdeen Asset Managers products, should be directed to Dunedin at 10 George Street, Edinburgh, EH2 2DW.

The Company’s share price appears under the heading ‘Investment Companies’ in The Financial Times, and other national newspapers. Prices are also available on the Company website www.dunedinenterprisetrust.co.uk or on various websites such as www.trustnet.com.

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 to be part of the Alliance Trust and Aberdeen Asset Managers (“Aberdeen”) saving products.

Details of the Aberdeen savings products are noted below:

Share Plan (the “Plan”) offers a simple means of investing in Dunedin Enterprise. New investors may make regular monthly payments (minimum £100 per month or invest occasional lump sums (minimum £250). Existing shareholders can also transfer their shares into the Share Plan and have their dividends re-invested. There are no charges for buying and holding shares through the Share Plan, except the 0.5% stamp duty which is currently payable on all share purchases and the difference between the buying and selling price (known as the bid-offer spread). A transaction fee of £10 plus VAT is charged on all sales. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Individual Savings Account (ISA) and ISA transfer

– the Investment Trust ISA is a low-cost, tax-efficient savings vehicle. Two types of ISA are available, the Maxi (which for the tax year 2007/08 allows investors to invest up to £7,000 in Dunedin Enterprise) and the Mini ISA. Aberdeen does not offer an Mini ISA. There is no initial charge for Aberdeen’s Maxi ISA and the annual administration charge is fixed at £24 plus VAT, regardless of how many ISAs (or PEPs) are held through Aberdeen. There is no charge for buying shares, except for 0.5% stamp duty and the difference between the buying and selling price (known as the bid-offer spread). A transaction fee of £15 plus VAT is charged on all sales.

Personal Equity Plan (PEP) and PEP transfer – 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 an existing PEP into Dunedin Enterprise. No initial fee is charged and the annual administration fee is fixed at £24 plus VAT. A transaction fee of £15 plus VAT is charged on all sales.

Pension – the Investment Trust Pension from Edinburgh Fund Managers (part of the Aberdeen Asset Managers group) enables investors to save for retirement by investing in Dunedin Enterprise. Contributions can be made regularly or by lump sums.

Please be aware that the charges detailed for the plans above are applicable for direct investment. Different charging structures apply if you are investing through an independent financial adviser.

To obtain further information about any of the above savings plans, please call the Aberdeen Investor Services Team on 0500 00 00 40 or visit the Aberdeen’s Asset Managers investment trust website at www.invtrusts.co.uk. For further information on the Investment Trust Pension, please telephone 0800 137 079.

Information for Investors

For information and transfer and enquiries relating to existing holdings please contact:

Aberdeen Investment Trust Administration

Block C
Western House
Lynchwood Business Park
Peterborough PE2 6BP
Telephone 0500 00 00 40
Email inv.trust@aberdeen-asset.com

For information and application forms on the Pension plan and enquiries relating to existing holdings please contact:

Pension Administrator

Edinburgh Pension Centre
Capita SIP Services
141 Castle Street
Salisbury, Wiltshire SP1 3TB
Telephone 0800 137 079

To obtain further information about the Alliance Trust savings plan please contact:

Alliance Trust Savings Limited

PO Box 164
Meadow House
64 Reform Street
Dundee
DA1 9YP
Telephone 01382 201900
Email contact@alliancetrust.co.uk

Important Information

Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- The Company invests in small companies, and / or companies investing in technology or venture and development capital stocks, where the potential volatility may increase the risk to the value of your investment. Above average price movements may be expected.
- The Company invests in a specialist market sector and is likely to carry higher risks than a more widely invested fund.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.
- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Company will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of investment trust shares purchases will immediately fall by the difference between the buying and selling prices, the bid-offer spread.

Other Important Information:

Issued by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Services Authority. Registered Office: 10 Queen's Terrace, Aberdeen AB10 1YG. Registered in Scotland No. 108419.

The Company is managed by Dunedin and marketed by Edinburgh Fund Managers plc which is authorised and regulated by the Financial Services Authority. Aberdeen Asset Managers Limited and Edinburgh Fund Managers plc are members of the Aberdeen Asset Management group of companies. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

Corporate Information

Directors

Edward Dawnay, Chairman
Liz Airey
Brian Finlayson
David Gamble
Willie Haughey
Simon Miller
Bruce Patrick

Manager, Secretary & Registered Office

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Bankers

Bank of Scotland

Solicitors

Dundas & Wilson CS LLP

Auditors

KPMG Audit Plc

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Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 30 April 2007.

Business Review

Objective and Investment Strategy

Dunedin Enterprise carries on business as an investment trust. The Company's objective is to achieve substantial long term growth in shareholder assets through capital gains from its investments. This is achieved by investing in a portfolio of unquoted companies either directly, via limited partnership funds or via quoted private equity funds. Investments are structured primarily with a view to capital growth but also for income yield.

Performance

A number of performance measures are considered by the Board and the Manager in assessing the Company's success in achieving its objectives.

The key performance indicators ('KPIs') used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- The movement in net asset value per ordinary share
- The movement in share price
- The movement of net asset value and share price performance compared to the Benchmark
- Total expense ratio

Details of the KPIs are shown on pages 1 and 18.

The Board recognises that it is in the long term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. As outlined in the Directors' Report on page 27, the Board intends to seek renewal of its annual share buy-back authority. The Board does not intend to issue a precise discount target at which shares will be bought back as it believes that the announcement of specific targets is likely to hinder rather than help the successful execution of a buyback policy.

Current and Future Development

A review of the main features of the year is contained in the Chairman's Statement and the Manager's Review on pages 4 to 5 and 8 to 11 respectively.

The Board's main focus is on the long term investment return. Attention is paid to the integrity and success of the investment process and on factors which may have an impact on this approach. The Board regularly reviews the development and strategic direction of the Company. Due regard is given to the marketing and promotion of the Company, including effective communication with shareholders and other external parties.

Risk Management

The majority of the Company's investments are in unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. The Directors aim to limit the risk attached to the portfolio as a whole by careful selection and timely redistribution of investments, and by monitoring a spread of holdings in terms of financing stage and industry sector. The Board reviews the investment portfolio with the Manager on a regular basis.

Risks facing the Company include credit and investment risk, liquidity risk, currency risk, price risk and interest rate risk. An explanation of these risks and how they are managed is contained in Note 21 to the financial statements on page 44.

Financials

The financial highlights for the year under review are as follows: the net asset value per share increased by 8.8% during the year, compared to an increase in the benchmark of 14.5% and dividends increased by 13% to 10.7p per share. The discount of the share price to net asset value increased from 8.1% at 30 April 2006 to 14.7% at 30 April 2007.

Dividends

The Board recommends a final dividend of 8.6p which, together with the interim of 2.1p already paid, makes a total of 10.7p for the year compared with 9.45p for the previous year, excluding the special dividend of 2.0p.

If approved, the recommended final dividend on ordinary shares will be paid on 21 September 2007 to shareholders on the register at close of business on 31 August 2007. The ex-dividend date is 29 August 2007.

Status

The Company is an investment company within the meaning of section 266 of the Companies Act 1985.

The Company carries on business as an investment trust and was approved by HM Revenue and Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 April 2006. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek authorisation under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 30 April 2006 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The Company is not a close company for taxation purposes.

Directors

Details of the current Directors of the Company are shown on page 6.

Brian Finlayson was appointed to the Board on 1 January 2007 and in accordance with the Articles of Association, offers himself for election to the Board. He has over thirty years experience of private equity and corporate finance, having worked with Bank of Scotland, British Linen Bank and latterly Dunedin Capital Partners ("Dunedin"). In 1990 he was appointed Managing Director of Dunedin and became Deputy Chairman in 1999, eventually retiring in 2002. The Board considers Brian Finlayson to be independent since it is more than three years since he held a material business relationship with Dunedin.

In accordance with the Articles of Association, Edward Dawnay, Simon Miller and Bruce Patrick will retire from the Board by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting ("AGM")

Under the terms of the Combined Code, non-executive directors may serve longer than nine years subject to annual re-election. Edward Dawnay has served longer than nine years and is therefore subject to annual re-election. The Board subscribes to the view expressed in the AIC Code that long serving Directors should not be prevented from being considered as independent. The Board believes that Edward Dawnay retains independence of character and judgement and his skills and experience add to the strength of the Board.

In accordance with the requirements of the Listing Rules of the Financial Services Authority, as Simon Miller is a Director of the Company's investment manager, he is subject to annual re-election by shareholders.

The election of Brian Finlayson and the re-election of Edward Dawnay, Simon Miller and Bruce Patrick are recommended to shareholders.

During the year an insurance policy has been maintained by the Company which indemnifies the Directors of the Company against potential liabilities arising in the conduct of their duties.

Directors' Report continued

Directors' Interests

The interests of those persons who were Directors at the end of the year in the ordinary shares of the Company were as follows (all holdings are beneficial unless stated otherwise):

	30 April 2007	30 April 2006
Edward Dawnay	8,238	6,328
Liz Airey	5,000	5,000
Brian Finlayson (appointed 1 January 2007)	69,918	n/a
David Gamble	5,000	5,000
Willie Haughey	11,000	11,000
Simon Miller	3,000	3,000
Bruce Patrick	2,800	2,000

No notification of any change in the above interests has been received in the period from 30 April 2007 to the date of this report.

Investment Manager

The principal terms of the Company's management agreement with Dunedin Capital Partners Limited ("Dunedin") are set out in Note 3 to the financial statements.

The Board has thoroughly reviewed Dunedin's investment strategy and process. The review covered the performance of the investment manager, their management process, investment style, resources and risk controls. The Board is satisfied with the results of the review and is therefore of the opinion that the continuing appointment of Dunedin on the terms agreed is in the interests of shareholders as a whole. Such a review is carried out on an annual basis.

Dunedin Enterprise operates a co-investment scheme for Dunedin executives. Under the Scheme, selected executives invest their own funds in ordinary shares (and, on occasion, other financial instruments) alongside Dunedin Enterprise. Co-investment schemes are a common feature in the private equity sector. Details of the Scheme are shown on page 45.

Simon Miller is an executive director of Dunedin and shareholder in its parent company, Dunedin Capital Group Limited. As such, Simon Miller has an interest in the management agreement.

Substantial Interests

The Company is aware that the following shareholders had an interest in 3% or more of the issued share capital of the Company on 19 June 2007.

	Ordinary shares	% of issued share capital
Legal & General Assurance Society	8,240,909	27.3
British Airways Pension Trustees Limited	1,319,616	4.4
The Standard Life Assurance Company	1,311,676	4.3
Deka Private Equity	1,110,000	3.7

Charitable and Political Donations

The Company made no political or charitable donations during the year.

Creditor Payment Policy

The Company's payment policy for the forthcoming financial year is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. There were no amounts owing to trade creditors at 30 April 2007.

Disclosure of Information to Auditors

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

Annual General Meeting ("AGM")

The AGM of the Company will be held at The Merchants' Hall, 22 Hanover Street, Edinburgh, EH2 2EP on Wednesday 19 September 2007 at 12 noon. Notice of the AGM is given on pages 46 and 47 of this report. Set out below is an explanation of resolutions 9 and 10 to be considered at the AGM.

Authority of directors to allot shares

Resolution 9 to be proposed at the AGM relates to the issue of shares. Resolution 9 contains a renewal for a period up to the conclusion of the AGM of the Company in 2008 (or, if earlier, the date falling 15 months from this year's AGM) of the disapplication of shareholders' pre-emption rights granted to the Directors on 12 September 2006. 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 other pro rata offer or would not exceed 5% of the issued share capital as at the date of the notice convening the AGM. The Directors do not have any immediate plans to make use of this authority.

Authority to buy back shares

The Directors' authority to buy back shares for cancellation was renewed at last year's AGM, and, unless renewed, will expire at the conclusion of this year's AGM. The authority, if conferred, will only be exercised if, in the Directors' opinion, a repurchase would be in the best interests of shareholders as a whole and would result in an increase in the net asset value per ordinary share for the remaining shareholders. The Directors propose to renew the authority at this year's AGM, and seek authority to purchase up to 4,531,341 ordinary shares (being 14.99% of the issued share capital). This authority will expire at the conclusion of the AGM of the Company in 2008 (or, if earlier, the date following 15 months from this year's AGM). Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per ordinary share. Under the Listing Rules of the Financial Services Authority, the maximum price that can be paid is not more than the higher of (i) 5% above the average market values of the ordinary shares for the five business days before the day on which the purchase is made and (ii) that stipulated by Article 5 (i) of the Buy-back and Stabilisation Regulation. The minimum price that may be paid will be 25p per share (being the nominal value of a share). Ordinary shares that are purchased will be cancelled. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

Your Directors consider that all the resolutions set out in the Notice of Annual General Meeting given on pages 46 to 47 are in the best interests of shareholders and recommend that shareholders vote FOR all the resolutions, as they intend to do in respect of their own beneficial holdings.

If you cannot attend the AGM, you are strongly encouraged to exercise your right to vote on the business of the AGM by appointing a proxy to vote on your behalf according to your instructions

Independent 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 as resolution 8 at the AGM.

By order of the Board,
Dunedin Capital Partners Limited
 Secretary
 Edinburgh
 19 June 2007

Corporate Governance Report

The Company is committed to high standards of corporate governance. The Company's ordinary shares are admitted to the UK Listing Authority's Official List and traded on the London Stock Exchange. As such, the Company is required to make a disclosure statement concerning its application of the principles of and compliance with the provisions of the Combined Code on corporate governance published by the Financial Reporting Council in July 2003 (the "Combined Code"). The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the Company to comply with the Combined Code and the AIC Code of Corporate Governance revised in February 2006.

The Board considers that the Company has complied with the provisions contained in Section 1 of the Combined Code throughout this accounting period with the exception of the matters noted below.

The Board

The Board consists of seven non-executive Directors, six of whom the Company deems to be independent, even though one of them has served as a Director for over nine years. Their biographies, on page 6, highlight their wide range of business experience. The Board does not feel that it would be appropriate to adopt a policy whereby Directors serve for a limited period as the historical knowledge of the portfolio is a key benefit. The structure of the Board is such that it is considered unnecessary to identify a senior non-executive Director other than the Chairman.

The Board determines the strategic direction of the Company. It meets at least four times a year and there is regular contact with the investment manager between these meetings. The Board has a formal schedule of matters specifically reserved for discussion. The schedule of matters is reviewed regularly by the Board. The Directors also have access to any information, the advice and services of the company secretary and, if required, external advice at the expense of the Company.

There is a clear division of responsibility between the Board and the investment manager. The investment manager's role is defined within the investment management agreement. The Board and investment manager have agreed clearly defined investment criteria and specific levels of authority. Reports on these issues, including performance statistics, investment valuations and management accounts are submitted to the Board at each meeting. The investment manager's evaluation procedure and financial analysis of the companies within the portfolio includes detailed research and appraisal, and also takes into account environmental policies, social, ethical and other business issues.

As an institutional investor, the Company recognises its responsibility that the companies in which it invests should aspire to appropriate levels of corporate governance. As a matter of policy, the Company aims to utilise its votes in shares held in the relevant underlying portfolio companies at the annual general meetings of these companies.

The Directors retire by rotation at every third AGM or more frequently as required by the rules of the UK Listing Authority or Codes on Corporate Governance. Any Directors appointed to the Board since the previous AGM also retire and stand for election. Directors who reach the age of 70 retire at the next AGM of the Company.

The Board undertakes a formal annual evaluation of its own performance and that of its committees and individual Directors, including the Chairman. The Board as a whole meets to assess its own performance and that of its Committees. The Chairman undertakes an appraisal of each Director to assess their performance. The performance of the Chairman is assessed by all other members of the Board. The appraisals consider, amongst other things, the balance of skills of the Board, the contribution of individual Directors and the overall effectiveness of the Board and its committees.

The table below details the number of Board, Audit and Management Engagement Committee and Nomination Committee meetings attended by each Director. During the year there were four Board meetings, two Audit and Management Engagement Committee meetings and one Nomination Committee meeting.

Director	Board meetings attended	Audit and Management Engagement Committee meetings attended	Nomination Committee meetings attended
Edward Dawnay	4	2	1
Liz Airey	4	2	1
Sandy Dudgeon (retired 31 December 2006)	3	2	1
Brian Finlayson (appointed 1 January 2007)	1	n/a	n/a
David Gamble	3	2	1
Willie Haughey	3	2	1
Simon Miller	4	n/a	n/a
Bruce Patrick	3	1	1

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. Whilst the Combined Code recommends that the chairman of the Company should not be an Audit and Management Engagement Committee member, Edward Dawnay is chairman of the committee. The Directors believe that it is in the best interests of the Company that Edward Dawnay, a chartered accountant, chairs this committee. The committee has defined terms of reference and plays an important role in reviewing the quality of financial reporting and Dunedin Capital Partners' ("Dunedin") internal controls. Its responsibilities are:

- to review the interim and annual financial statements, matters relating to accounting policy, and the control of the financial and business risks affecting the Company;
- 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;
- to develop and implement a policy on the engagement of the auditors to provide non audit services and to review such fees in light of independence;
- to perform an annual evaluation of the independence, objectivity, effectiveness, resources and qualifications of the auditors; and
- to review annually and advise the Board on the terms of the investment management agreement.

The Audit and Management Engagement Committee meets privately with the external auditors. Senior representatives of the Dunedin 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 and are available from the Company Secretary.

The Nomination Committee has defined terms of reference and is responsible for identifying and nominating to the Board new Directors and for considering whether existing Directors should be re-elected. The Nomination Committee aims to maintain an appropriate balance of skills and experience within the Board. The terms of reference for the Nomination Committee are available from the Company Secretary.

The Nomination Committee comprises the independent non-executive Directors and is chaired by Edward Dawnay, except on those occasions when the Committee is reviewing the performance of the Chairman. In such circumstances, the Nomination Committee elects an alternative member to take the Chair.

Internal Controls

The Directors have overall responsibility for ensuring that there are in place systems of internal control, both financial and non-financial and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable. Such a system can provide reasonable, but not absolute assurance against material misstatement or loss. The Board regularly reviews financial performance and results with the Manager.

Review of Internal Controls

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

The Board confirms that since 1 May 2006 to the date of this report, appropriate procedures to review the effectiveness of the Company's system of internal control have been in place which cover all controls including financial, operational and compliance controls and risk management.

These procedures include an ongoing process for monitoring internal controls. This assessment includes a review of the significant risks faced by the Company and an assessment of their impact and likelihood. In addition, an assessment of the effectiveness of internal controls in managing risks is conducted based on control reports received from the Manager and other relevant service providers. Other than as disclosed above, the Company has complied with the provisions set out in Section 1 of the Combined Code throughout the financial year ended 30 April 2007.

The Company does not have an internal audit function. All of the Company's management functions are delegated to the Manager which has its own internal control and risk monitoring arrangements. A report on these arrangements is prepared by the investment manager and submitted to the Audit and Management Engagement Committee. The report is reviewed by Ernst & Young.

The Audit and Management Engagement Committee has reviewed the provision of non-audit services and believes them to be cost effective and not an impediment to the auditors' objectivity and independence. The non-audit services for the financial year ended 30 April 2007 comprised the provision of taxation and accounting advice at a cost of £25,000, as detailed in Note 4 to the accounts and are not of a material nature.

The Company does not have a whistleblowing policy and procedure in place. The Company delegates its main functions to third party providers who have such policies in place and the Audit and Management Engagement Committee is happy to accept that these policies meet the industry standards.

Corporate Governance Report continued

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the management company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Relations with Shareholders

All shareholders have the opportunity to attend and vote at the 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 24 to 27. Separate resolutions are proposed for substantive issues. 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 Company. The section entitled "Information for Investors", on pages 19 and 20, provides an overview of useful information available to shareholders.

Membership of Board Committees

Audit and Management Engagement Committee

Edward Dawnay (Chairman)
Liz Airey
Brian Finlayson
David Gamble
Willie Haughey
Bruce Patrick

Nomination Committee

Edward Dawnay (Chairman)
Liz Airey
Brian Finlayson
David Gamble
Willie Haughey
Bruce Patrick

Directors' Remuneration Report

As the Board of Directors is comprised solely of non-executive Directors, it has taken advantage of the exemption granted by the Listing Rules not to appoint a remuneration committee. The determination of the Directors' fees is a matter dealt with by the whole Board. The level of fees for non-executive Directors is reviewed annually by the whole Board.

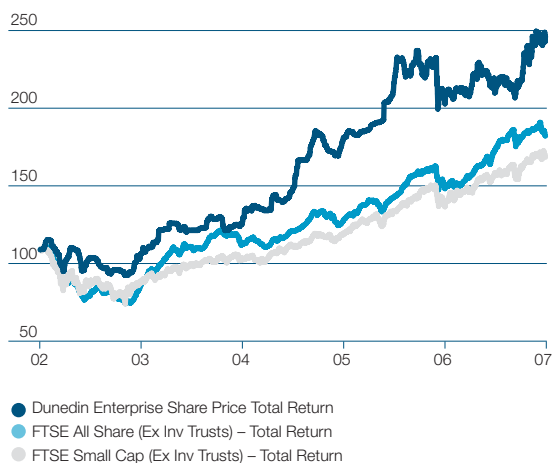
The Company's Articles of Association currently limit the aggregate fees payable to the Board of Directors to a total of £200,000 per annum. It is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil, and the time committed to the Company's affairs. There were no changes made to the remuneration of the Chairman or the Directors during the year. The remuneration of the Chairman and the Directors was increased during the year ended 30 April 2006, from £25,000 to £28,000 and from £15,000 to £18,000 respectively.

It is not the Company's policy to include an element of performance related pay. It is not the Company's policy to provide service contracts for its non-executive Directors.

No non-executive Director has a service contract with the Company.

Performance Graph

The Company's performance is measured against the FTSE Small Cap Index and the FTSE All Share Index.



Performance record rebased to 100 at 30 April 2002

Source: Thomson Datastream

Directors' Remuneration

	2007 £'000	2006 £'000
Edward Dawnay	28	26
Liz Airey	18	16
Sandy Dudgeon	12	16
Brian Finlayson	6	–
David Gamble	18	16
Willie Haughey	18	16
Simon Miller	18	16
Bruce Patrick	18	16
	136	122

The information in the above table has been audited. Included in the above are fees totalling £18,000 payable to Dunedin Capital Partners Limited, the Company's investment manager, for making available the services of Simon Miller as a Director of the Company.

A resolution to approve the report will be proposed at the AGM.

The Company's independent auditors, KPMG Audit Plc, are required to give their opinion on certain information included in this report, as indicated above. Their report on these matters is set out on page 32.

By order of the Board,
Dunedin Capital Partners Limited
 Secretary
 19 June 2007

Independent Auditors' Report

To the members of Dunedin Enterprise Investment Trust PLC

We have audited the financial statements of Dunedin Enterprise Investment Trust PLC for the year ended 30 April 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 30.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Manager's Review that is cross referenced from the Business Review section of the Directors' Report. We also report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement on pages 28 to 30 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of 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 Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report 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. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. 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 Company'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 April 2007 and of its return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
Edinburgh
19 June 2007

Income Statement

For the year ended 30 April		Revenue £'000	Capital £'000	2007 Total £'000	Revenue £'000	Capital £'000	2006 Total £'000
	Notes						
Gains on investments		–	12,337	12,337	–	24,982	24,982
Income	2	6,036	–	6,036	6,200	–	6,200
Investment management fee	3	(461)	(1,263)	(1,724)	(743)	(2,022)	(2,765)
Other expenses	4	(536)	–	(536)	(558)	–	(558)
Net return before finance costs and tax		5,039	11,074	16,113	4,899	22,960	27,859
Interest payable and similar charges	5	(54)	(164)	(218)	(54)	(161)	(215)
Return on ordinary activities before tax		4,985	10,910	15,895	4,845	22,799	27,644
Tax on ordinary activities	6	(1,258)	1,946	688	(609)	609	–
Return attributable to equity shareholders		3,727	12,856	16,583	4,236	23,408	27,644
Basic return per ordinary share	8	12.3p	42.5p	54.8p	13.9p	77.1p	91.0p

The column of this statement headed 'Total' represents the profit and loss account of the Company. The Company had no recognised gains or losses other than those recognised in the Income Statement.

Balance Sheet

At 30 April	Notes	£'000	2007 £'000	£'000	2006 £'000
Investments at fair value through profit or loss	9		133,222		144,847
Current assets					
Debtors	10	772		196	
Cash at bank		34,282		6,371	
		35,054		6,567	
Current liabilities					
Creditors: amounts falling due within one year	11	(4,559)		(110)	
Net current assets			30,495		6,457
Net assets			163,717		151,304
Capital and reserves					
Called up share capital	14		7,552		7,592
Share premium account	15		47,600		47,600
Capital reserves:					
Capital redemption reserve	15		374		334
Capital reserve – realised	15		104,274		87,978
Capital reserve – unrealised	15		(2,517)		1,598
Revenue reserve	15		6,434		6,202
Total equity shareholders' funds			163,717		151,304
Net asset value per share	16		541.9p		498.2p

The financial statements were approved by the Board of Directors on 19 June 2007.

Edward Dawnay, Chairman

The notes on pages 37 to 44 form part of the financial statements.

Cash Flow Statement

For the year ended 30 April	Notes	£'000	2007 £'000	£'000	2006 £'000
Net cash inflow from operating activities	17		4,055		3,824
Financial investment					
Purchase of investments		(39,057)		(21,645)	
Purchase of 'AAA' rated money market funds		(25,252)		(57,518)	
Sale of investments		27,625		70,015	
Sale of 'AAA' rated money market funds		64,928		10,600	
Net cash inflow from financial investment			28,244		1,452
Equity dividends paid			(3,495)		(2,763)
Net cash inflow before financing			28,804		2,513
Financing					
Interest paid		(218)		(215)	
Purchase of ordinary shares		(675)		-	
			(893)		(215)
Cash assumed on liquidation of subsidiary			-		2,926
Increase in cash for the period			27,911		5,224
Reconciliation of net cash flow to movement in net funds					
Increase in cash as above			27,911		5,224
Cash at bank and in hand at 1 May			6,371		1,147
Cash at bank and in hand at 30 April			34,282		6,371

The notes on pages 37 to 44 form part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 April 2007	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue account £'000	Total £'000
At 30 April 2006	7,592	47,600	334	89,576	6,202	151,304
Net return from ordinary activities	–	–	–	12,856	3,727	16,583
Dividends paid	–	–	–	–	(3,495)	(3,495)
Purchase and cancellation of shares	(40)	–	40	(675)	–	(675)
At 30 April 2007	7,552	47,600	374	101,757	6,434	163,717

Notes to the Accounts

1. Accounting Basis and Policies

a. Accounting Convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") and the Statement of Recommended Practice ("SORP") "Financial Statements of Investments Trust Companies", revised in December 2005.

b. Associated Undertakings

Those private equity investments that may be termed associated undertakings are carried at fair value 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. The quantification of the effect of this departure is not practicable. The policy to continue to investment account is specifically permitted under FRS 9 "Associates and Joint Ventures", where private equity entities hold investments as part of a portfolio.

c. 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 Company's right to receive payment is established. Interest income is accounted for on an effective yield 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".

d. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue return within the income statement except that:

- expenses which are incidental to the acquisition or disposal of an investment are charged to capital return as incurred,
- expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, and accordingly the investment management fee and finance costs have been allocated 25% to revenue and 75% to capital in order to reflect the Directors' expected long term view of the nature of the investment returns of the Company.

e. Valuation Policy

The Company's investments have been designated by the Directors as fair value through profit or loss and are carried at fair value as determined by the Directors. Listed investments are valued at bid price.

Gains and losses arising from changes in fair value of investments are recognised as part of the capital return within the income statement and are then transferred to the unrealised capital reserve.

Gains or losses on investments realised in the year that have been recognised in the income statement are transferred to the realised capital reserve. In addition, any prior unrealised gains or losses on such investments are transferred from the unrealised capital reserve to the realised capital reserve on disposal of the investment. Further, the proportion of investment management fee and finance costs taken to capital are recognised in the realised capital reserve.

Investments are valued by the Directors, as advised by the Investment Manager, at fair value according to the following rules and also with appropriate regard to UK GAAP and the International Private Equity and Venture Capital Valuation Guidelines.

All unquoted investments are valued according to one of the following bases:

- cost,
- earnings multiple,
- open market value, or
- net assets.

Investments are only valued at cost for a limited period after the date of acquisition, otherwise investments are valued on one of the other bases detailed above. Generally the earnings multiple basis of valuation will be used.

When valuing on an earnings multiple basis, fully taxed maintainable earnings are multiplied by an appropriate price/earnings multiple. This is normally related to a comparable quoted sector with adjustments made for risks and earnings growth prospects of the underlying company. A marketability discount, generally in the range of 10% to 30% is applied to the investment valuation, based on the likely timing of exit and the influence over that exit.

When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the relevant accounts (interim or final), the valuation is based on the exit valuation.

f. Taxation

Corporation tax payable is provided on taxable profits at the current rate. Any tax relief obtained on expenses is allocated between capital and revenue on the assumption that expenses charged to revenue are matched first against taxable revenue items. Tax relief is only reflected in capital to the extent that additional expenses are utilised from capital to reduce or eliminate the Company's tax liability.

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

g. Dividend

Dividends payable are recognised as a distribution and recorded in the Reconciliation of Movements in Shareholders' Funds when they become a liability of the Company.

Notes to the Accounts

2. Income

	2007 £'000	2006 £'000
Franked investment income – UK	828	2,701
Unfranked investment income – UK	1,116	1,599
Unfranked investment income – Overseas	22	101
Limited partnership income – UK	120	15
'AAA' rated money market funds	2,665	1,504
	4,751	5,920
Deposit interest	1,285	280
Total income	6,036	6,200

3. Investment Management Fee

	Revenue £'000	Capital £'000	2007 Total £'000	Revenue £'000	Capital £'000	2006 Total £'000
Investment management fee	392	1,177	1,569	632	1,898	2,530
Irrecoverable VAT thereon	69	206	275	111	332	443
Arrangement fees	–	(120)	(120)	–	(208)	(208)
	461	1,263	1,724	743	2,022	2,765

Dunedin Capital Partners Limited (“Dunedin”) provides investment management and general administrative services to the Company for a quarterly fee payable in advance equal to 1/2% of gross assets. The notice period on the management agreement is two years.

The Company has investments in Dunedin Buyout Fund LP, Dunedin Buyout Fund II LP and Equity Harvest Fund LP. Each of these limited partnerships are managed by Dunedin. There are arrangements in place to ensure that there is no double charging of fees on these investments. The Company has borne a management fee of £1,515,000 (2006: £236,000) in respect of these limited partnerships. The total investment management fee payable by the Company to the Manager is therefore £3,239,000 (2006: £3,001,000).

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

4. Other Expenses

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

	2007 £'000	2006 £'000
Directors' fees	136	122
Fees payable to the Company's auditor for audit of Company's annual report	19	13
Fees payable to the Company's auditor for other services:		
– Other services pursuant to legislation (interim review)	2	2
– Other services relating to taxation	14	15
– Other	9	19
Administration expenses	319	355
Deal abort fees	37	32
	536	558

The Company does not directly employ any staff.

5. Interest Payable

	Revenue £'000	Capital £'000	2007 Total £'000	Revenue £'000	Capital £'000	2006 Total £'000
On bank loans and overdraft:						
Repayable in more than 5 years	54	164	218	54	161	215

6. Taxation On Profit On Ordinary Activities

	Revenue £'000	2007 Capital £'000	Revenue £'000	2006 Capital £'000
(a) Analysis of charge/(credit) for the year:				
UK corporation tax at 30% (2006: 30%)	1,258	(1,258)	609	(609)
Deferred taxation	–	(688)	–	–
	1,258	(1,946)	609	(609)

(b) Factors affecting the tax charge for the year:

	2007 £'000	2006 £'000
Revenue return on ordinary activities before tax	4,985	4,845
UK Corporation Tax at 30%	1,496	1,454
Effects of:		
Non taxable income	(248)	(810)
Expenses disallowed for tax purposes	10	11
Income and expenditure attributable to a subsidiary	–	(46)
	1,258	609

7. Dividends

Amounts recognised as distributions to equity holders in the period:

	2007 £'000	2006 £'000
Final dividend for the year ended 30 April 2006 – 7.45p (year ended 30 April 2005 – 7.1p) paid 15 September 2006	2,255	2,156
Interim dividend for the year ended 30 April 2007 – 2.1p (year ended 30 April 2006 – 2.0p) paid 31 January 2007	635	607
Special dividend for the year ended 30 April 2006 – 2.0p paid 15 September 2006	605	–
	3,495	2,763

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these statements. The total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered, is noted below.

	2007 £'000	2006 £'000
Interim dividend for the year ended 30 April 2007 – 2.1p (year ended 30 April 2006 – 2.0p) paid 31 January 2007	635	607
Final dividend for the year ended 30 April 2007 – 8.6p (year ended 30 April 2006 – 7.45p) to be paid 21 September 2007	2,598	2,263
Special dividend for the year ended 30 April 2006 – 2.0p paid 15 September 2006	–	605
	3,233	3,475

Notes to the Accounts

8. Return Per Ordinary Share

Basic revenue return per ordinary share is based on revenue return attributable to equity shareholders of £3,726,675 (2006: £4,235,792) and on 30,266,370 (2006: 30,369,943) 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 £12,856,292 (2006: £23,407,788) and on 30,266,370 (2006: 30,369,943) being the weighted average number of ordinary shares in issue during the year.

9. Investments

Investments held in the Dunedin Buyout Fund I, Dunedin Buyout Fund II and Equity Harvest Fund are shown on a look through basis.

	2007 £'000	2006 £'000
Unlisted UK investments*	75,295	57,903
Listed UK investments	–	8,663
Listed overseas investments	19,322	–
'AAA' rated money market funds	38,605	78,281
	133,222	144,847

* Investments held via the Dunedin Buyout Fund I are valued at £4,396,864 (2006: £2,267,282), via the Equity Harvest Fund at £5,206,307 (2006: £1,301,083) and Dunedin Buyout Fund II LP £5,471,287 (2006: £nil).

Funds realised from listed and unlisted investments have been utilised to make investments in 'AAA' rated money market funds. The Board intends to realise these investments as and when new unlisted investment opportunities arise.

	Unlisted £'000	UK Listed £'000	Overseas Listed £'000	'AAA' rated money market funds £'000	Total £'000
Book cost at 30 April 2006	64,767	201	–	78,281	143,249
Unrealised appreciation	(6,864)	8,462	–	–	1,598
Valuation at 30 April 2006	57,903	8,663	–	78,281	144,847
Purchases at cost	24,032	–	19,306	25,252	68,590
Sales – proceeds	(19,536)	(8,088)	–	(64,928)	(92,552)
– realised gains on sales	8,565	7,887	–	–	16,452
Increase/(decrease) in unrealised appreciation	4,331	(8,462)	16	–	(4,115)
Valuation at 30 April 2007	75,295	–	19,322	38,605	133,222
Book cost at 30 April 2007	77,828	–	19,306	38,605	135,739
Closing unrealised appreciation/(depreciation)	(2,533)	–	16	–	(2,517)

Included within unlisted investments are investments valued at £64,808,393 (2006: £40,365,463) 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(b). These investments are listed on page 41.

	2007 £'000	2006 £'000
Realised gains based on cost	16,452	37,963
Realised loss on liquidation of subsidiary	–	(120)
Unrealised appreciation recognised in prior periods	(11,924)	(13,772)
	4,528	24,071
Increase in unrealised appreciation	7,809	911
	12,337	24,982

The portfolio at valuation comprises the following:

	2007 £'000	2006 £'000
Ordinary shares	44,862	23,717
Preference shares	4,290	6,040
Limited partnership funds	9,064	10,987
Fixed interest rate loan stock	33,901	22,822
Floating interest rate loan stock	2,500	3,000
'AAA' rated money market funds	38,605	78,281
	133,222	144,847

Significant Interests

(a) At 30 April 2007 the Company held between 20% and 50% of the allotted share capital of the following companies:

Name	£'000 Country of incorporation or registration	% of equity held directly	% of equity held directly and through funds	Latest available accounts	Share capital & reserves £'000	Profit/(loss) for year* £'000
ABI (UK) Group Limited	England	18.5	21.1	31.8.06	22,080	76
CGI Group Limited	England	37.9	37.9	31.12.06	3,553	1,492
Central Scotland Finance Limited	Scotland	47.1	47.1	31.12.06	2,876	238
Capula Group Limited	England	21.6	35.5	n/a ¹	n/a ¹	n/a ¹
Dunedin Buyout Fund II LP	Scotland	29.7	29.7	31.12.06	n/a	n/a
etc.venues Group Limited	England	17.0	28.1	n/a ¹	n/a ¹	n/a ¹
Gardner Group Limited	England	21.2	24.2	31.8.06	(28,844)	(7,672)
New Horizons (Childcare) Holdings Limited	England	27.8	31.6	30.6.06	(1,365)	(1,569)
OSS Environmental Holdings Limited	England	41.8	41.8	31.12.06	2,890	94
Practice Plan Group (Holdings) Limited	England	22.9	26.2	30.6.06	733	229
RSL Steeper Holdings Limited	England	17.5	28.9	28.2.06	181	18
WFEL Holdings Limited	England	–	24.2	n/a ¹	n/a ¹	n/a ¹
ZVC Group Limited	England	18.3	20.8	31.3.07	234	(135)

*after taxation

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

Name	Country of incorporation or registration	% of equity held directly	% of equity held directly and through funds
Dunedin Buyout Fund LP	Scotland	13.0	13.0

Abbreviations shown above:

n/a¹ First year of investment

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.

Notes to the Accounts

10. Debtors

	2007 £'000	2006 £'000
Prepayments and accrued income	84	196
Deferred tax (see note 13)	688	–
	772	196

11. Creditors: Amounts falling due within one year

	2007 £'000	2006 £'000
Accruals	4,559	110

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

	2007 £'000	2006 £'000
Revolving credit facility	–	–

A revolving credit facility of £39 million is available to the Company until 28 April 2010. The rate of interest on the revolving credit facility is 1.1% above LIBOR.

13. Deferred Taxation

	2007 £'000	2006 £'000
Deferred tax provided at 1 May	–	–
Surplus management expenses utilised	688	–
Deferred tax asset provided at 30 April	688	–

14. Called-up Share Capital

	Nominal No. '000	2007 £'000	Nominal No. '000	2006 £'000
Authorised:				
Ordinary shares of 25p each	40,000	10,000	40,000	10,000
Allotted, called-up and fully paid:				
Ordinary shares at 1 May 2006	30,370	7,592	30,370	7,592
Shares purchased and cancelled during year	(161)	(40)	–	–
Ordinary shares at 30 April 2007	30,209	7,552	30,370	7,592

The Company made repurchases of 161,000 ordinary shares in the year to 30 April 2007 (2006: nil). At 19 June 2007 no ordinary shares have been repurchased since 30 April 2007. The Company does not hold any shares in treasury.

15. Reserves

Group	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue account £'000
At 30 April 2006	47,600	334	87,978	1,598	6,202
Net revenue for the year	–	–	–	–	3,727
Purchase and cancellation of shares	–	40	(675)	–	–
Transfer on disposal of investments	–	–	11,924	(11,924)	–
Net gain on realisation of investments	–	–	4,528	–	–
Revaluation movements	–	–	–	7,809	–
Management fees charged to capital	–	–	(1,383)	–	–
Arrangement fees	–	–	120	–	–
Loan interest charged to capital	–	–	(164)	–	–
Dividends paid	–	–	–	–	(3,495)
Tax effect of capital items	–	–	1,258	–	–
Deferred tax	–	–	688	–	–
At 30 April 2007	47,600	374	104,274	(2,517)	6,434

16. Net Asset Value Per Share

The net asset value per share is calculated on shareholders' funds of £163,716,908 (2006: £151,303,881) and on 30,208,943 ordinary shares in issue at the year end (2006: 30,369,943).

17. Reconciliation of Income to Net Cash Inflow from Operating Activities

	2007 £'000	2006 £'000
Net revenue before finance costs and tax	5,039	4,899
Decrease in accrued income	122	924
(Increase)/decrease in other debtors	(11)	11
Increase in creditors	168	12
Management fees charged to capital	(1,383)	(2,230)
Arrangement fees	120	208
Net cash inflow from operating activities	4,055	3,824

18. Capital Commitments

There were outstanding capital commitments of £79,901,383 (2006: £95,273,889) in respect of investments at the end of the year.

Notes to the Accounts

19. Contingent Liabilities

There were no contingent liabilities at the year end (2006 – £Nil).

20. Manager's Incentive Scheme

(a) With effect from 1 May 1999, Dunedin's incentive scheme ("the Scheme"), described on page 45 was introduced to Dunedin Enterprise.

(b) During the year qualifying directors and investment executives of Dunedin have invested £38,375 (2006: £70,627) in companies in which Dunedin Enterprise also has an interest. In the same period Simon Miller, a Director of both Dunedin and the Company, invested £2,303 (2006: £4,171) in these unquoted companies.

21. Financial Instruments

The Company's objective is to provide shareholders with long term capital growth through investment in unquoted companies both directly and through specialist funds. Direct investments are made with an anticipated holding period of between three and five years. Investment agreements will, however, usually provide that any loans advanced to investee companies are for a longer period than this. The agreements will usually provide for repayments to be made by instalments with provision for full repayment on sale or flotation. Investments in funds have anticipated lives of approximately ten years.

Financial Risk Management

The Company's financial risk management objectives and policies are set out below:

Credit and Investment Risk

The Company has no substantial assets other than financial assets. Substantially all the assets are subject to credit or investment risk. Exposure to any one entity is carefully monitored. Liquid investments (cash and cash equivalents) are divided between a number of different financial institutions, each of whose credit rating is assessed. Investments in unquoted companies are by their nature subject to potential credit losses.

Liquidity

The Company has significant investments in unquoted companies which are inherently illiquid. The Company manages its liquid investments to ensure sufficient cash is available to meet contractual commitments and also seeks to have cash generally available to meet other short term financial needs. It has the power to take out borrowings. The Company currently has a borrowing facility of £39 million.

Price

The risk that the value of a financial instrument will change as a result of changes to market prices is one that is fundamental to the Company's objective, which is to provide long term capital growth through investment in unquoted companies. The portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Company's objective. No hedging of this risk is undertaken.

Interest Rate

The Company has significant cash and near cash balances which generate interest inflows. The Company monitors its exposure to interest rates. The Company does not undertake any hedging activities in respect of interest rates.

Currency Risk

The Company is exposed to currency risk as a result of investing in companies and funds denominated in Euros. The sterling value of these investments can be influenced by movements in foreign exchange rates. The Company does not normally hedge against foreign currency movements affecting the value of its investments, but takes account of this risk when making investment decisions and monitors this risk during the life of the investment.

Financial Assets of the Company

Currency	2007				2006			
	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Sterling	38,191	75,387	32,637	146,215	28,862	87,652	33,173	149,687
Euro	–	–	21,289	21,289	–	–	1,531	1,531
Total	38,191	75,387	53,926	167,504	28,862	87,652	34,704	151,218

The fixed rate assets comprise fixed rate lendings to investee companies. Fixed rate lendings have a weighted average interest rate of 8% per annum (2006: 7%) and a weighted average life to maturity of 6.3 years (2006: 6.6 years).

The floating rate assets consist of cash, "AAA" rated cash OEIC's and lendings to investee companies.

The nil interest rate bearing assets represent the equity content of the investment portfolio.

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

Introduction

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

Participation

Selected employees of Dunedin participate in the Scheme (following consultation with the board of Dunedin Enterprise) 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 Dunedin's Remuneration Committee. Participants shall acquire investments at the price at which Dunedin Enterprise 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 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 Dunedin retains all investments held by him pursuant to the Scheme up to the date when disposal is required alongside Dunedin Enterprise.

Amendment

Each year Dunedin may amend the Scheme with the consent of the Company.

Notice of Annual General Meeting

Notice is hereby given that the thirty third Annual General Meeting of the shareholders of Dunedin Enterprise Investment Trust PLC will be held at The Merchants' Hall, 22 Hanover Street, Edinburgh, EH2 2EP on Wednesday 19 September 2007 at 12 noon for the following purposes:-

Ordinary Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the report of the Directors and the audited accounts for the year ended 30 April 2007.
2. To declare a final dividend for the year ended 30 April 2007.
3. To approve the Directors' Remuneration Report.
4. To elect as a Director Brian Finlayson.
5. To re-elect as a Director Edward Dawnay.
6. To re-elect as a Director Simon Miller.
7. To re-elect as a Director Bruce Patrick.
8. 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 resolutions as special resolutions:

9. That, in substitution for any existing power under Section 95 of the Companies Act 1985 (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 or other pro rata offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as 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 £377,611;

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, the date which is 15 months after the passing of this resolution) unless the authority is issued, revoked or renewed prior to such time 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.

10. That, in substitution of any existing authority, the Company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 (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 4,531,341;
 - (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 not more than the higher of an amount equal to 105 per cent of the average of the middle market quotations for an ordinary 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 and the amount stipulated by Article 5(1) of the regulation entitled the 'Buy-Back and Stabilisation Regulation';
 - (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (or, if earlier, the date which is 15 months after the passing of this resolution) 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
30 July 2007

Registered Office:
10 George Street, Edinburgh EH2 2DW

Notes

1. THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should seek personal financial advice from your independent financial advisor authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriate independent financial advisor.

2. If you have sold or otherwise transferred all your shares in Dunedin Enterprise Investment Trust PLC, please forward this document, together with the form of proxy enclosed, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

3. 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.

4. Proxy forms must be lodged not less than 48 hours before the meeting with the Company's registrars, Lloyds TSB Registrars Scotland, PO Box 28448, Finance House, Orchard Brae, Edinburgh, EH4 1WQ. Completion of the form of proxy does not preclude a member from attending the meeting and voting in person.

5. There are special arrangements for holders of shares through the Aberdeen Investment Trust Share Plan, ISA and PEP. These are explained in the 'Letter of Directions' which such holders will have received with this report.

6. Pursuant to regulations 41 of the Uncertificated Securities Regulations 2001, 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 noon on 17 September 2007. 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.

Financial Calendar

Announcements, dividend payments and the issue of the annual and interim reports for the year ended April 2007 and half year end 31 October 2007 can be expected in the months shown below:

September 2007

Annual General Meeting held and final dividend paid.

December 2007

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

January 2008

Interim dividend paid.

The year end of the Company changes with effect from 31 December 2007. Thereafter announcements, dividend payments and the issue of the annual and interim report may normally be expected in the months shown below:

February

Preliminary figures and recommended final dividend for the year announced.

April

Annual report and accounts published.

May

Annual General Meeting held and final dividend paid.

August

Interim dividend announced and interim report for half year to 30 June published.

September

Interim dividend paid.
