

Investing in Private Equity



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 investment objective is to achieve substantial long term capital growth in its assets through capital gains from its investments.

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Financial Highlights

Total return per ordinary share

4.9p

47.1p 2011

Net asset value per ordinary share

532.7p

541.0p 2011

Share price

412.38p

313.5p 2011

Discount

22.6%

42.1% 2011

Dividend per ordinary share

22.5p^{*1}

5.0p 2011

Ongoing charges

1.8%

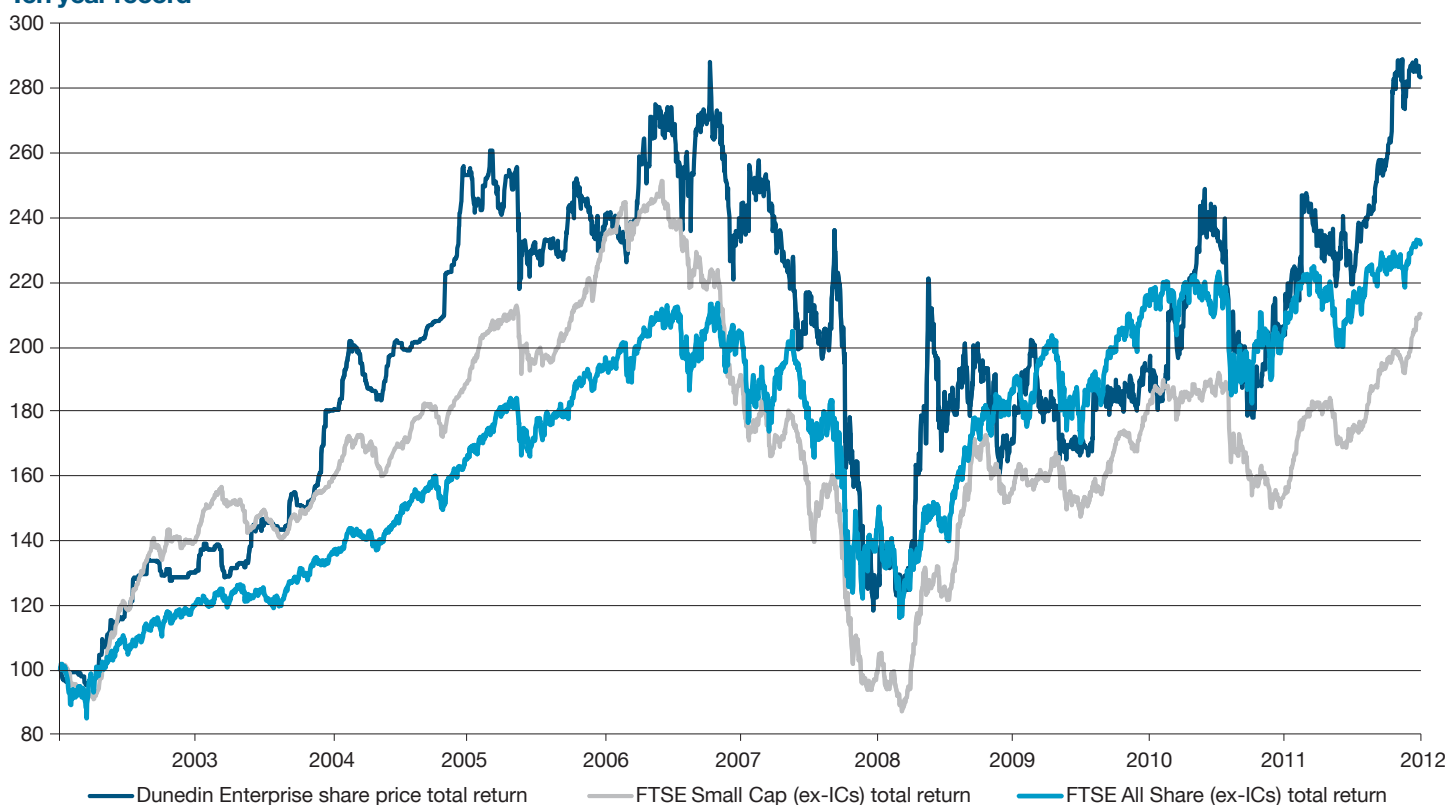
2.1% 2011

^{*1} – 16p special dividend already paid

Comparative Total Return Performance

	One year to December 2012 %	Three years to December 2012 %	Five years to December 2012 %	April 2003 to December 2012 %
Net asset value per ordinary share	2.3	37.5	13.8	119.8
Share price	39.2	66.7	20.0	164.9
FTSE Small Cap Index ("the Benchmark")	36.3	35.2	10.2	106.4
FTSE All Share Index	12.2	24.1	13.2	127.1

Ten year record



Chairman's Statement

David Gamble, Chairman



Some 15 months ago shareholders approved a change in your Company's strategy, whereby Dunedin Enterprise focussed on UK investments and adopted a clearly defined distribution policy based on realised gains. As a result the sale proceeds of the Trust's European investments and at least 50% of the gain on Dunedin managed investments will be returned to shareholders. One of the principal reasons for this change was to address the substantial discount of the share price to net asset value, which had been as high as 48%.

The effect has been positive. £21.1m has been returned to shareholders by way of tender offers and £4.3m by way of a special dividend.

As at 31 December 2012 the net asset value per share was 532.7p. Taking into account last year's final dividend of 5p and a special dividend of 16p there was a total return to shareholders of 2.3%. The share price total return over the same period is 39.2%. At the time of writing the share price was 417.5p, a discount of 21.6% to net asset value per share.

Subsequent to the year end, the stake in another European fund, Egeria, was sold. The proceeds of this sale, together with the distributable proceeds from the sale of etc.venues in December 2012 and the remaining distributable proceeds from previous realisations, amount in aggregate to £12.5m. It is proposed by the Board that £12.5m is returned to shareholders via a tender offer in May 2013 at 475p per share, as set out in Resolution 12 of the Notice of Annual General Meeting. The Board considers that given the size and liquidity of the Trust it is appropriate at this stage to limit distributions to shareholders to 50% of capital gains on Dunedin managed investments. This will be kept under review by the Board. 100% of the proceeds from the European fund investments will be distributed to shareholders.

Although, to date, all sums available for distribution under the Company's distribution policy have been used to fund tender offers, the Board may use amounts available for

distribution to fund share buy-backs or other returns of capital to shareholders.

A final dividend of 6.5p per share is proposed, payable on 24 May 2013 following the AGM.

In November 2012 shareholders approved a new management performance fee. The performance fee incentivises the Manager to realise the European investments prior to 31 December 2014 and to maximise the price achieved in relation to the valuation placed on the investment by the third party manager of that particular fund.

Portfolio

There has been a substantial change of emphasis over the period under review away from Europe towards the UK. The portfolio at 31 December 2012 consisted of UK investments (direct or Dunedin managed) 56%, European funds 18%, legacy funds 1% and cash 25%. At the year end the Trust had outstanding commitments of £65.8m to Dunedin funds, £18.9m to European funds (excluding Egeria) and cash or near cash of £33.9m. Following the sale of Egeria cash balances increased to £42.3m. In addition the Trust has a 12 month borrowing facility of £20m which expires in August 2013. After taking account of the £12.5m to be distributed to shareholders in May 2013 the Board is comfortable with the balance between uncalled commitments and cash resources given the expected rate of new investment.

With the objective of withdrawing from European funds, the SWIP stake and the investment in Capiton were sold for £14.5m and £3.3m respectively. During the first half of the year the Trust's investments in Capula and WFEL were sold generating distributable profits of £5.1m. The proceeds of the European disposals together with the distributable profits from the two portfolio companies were distributed to shareholders by way of two tender offers. Subsequent to the tender offer approved by shareholders in November 2012, etc.venues was realised on

30 November 2012 generating a distributable profit of £2.4m and the interest in Egeria was realised in February 2013 generating proceeds of £8.4m. The total available for distribution to shareholders is £12.5m.

The Dunedin Buyout Fund II, which the Trust committed £75m to in 2006 is now substantially invested and gross realised returns to date have generated 2.6 times money invested. A commitment of £50m has accordingly been made to the next Dunedin managed buyout fund.

A total of £19.3m was invested during the year of which £11.5m was invested by Dunedin managed funds and £7.8m drawn down by European funds. Disposals amounted to £53.1m. Details are contained in the Manager's Review.

Market conditions and outlook

As mentioned by my predecessor last year, the Board and the Manager firmly believe in the long term future of the private equity sector in the UK. A broadly based developed economy coupled with strong governance, make the UK an attractive market for private equity. The UK is the dominant private equity market in Europe, accounting for 39% by value of buyouts completed in Europe in 2012.

Dunedin operates in this lower mid-market and there has been little change in levels of activity in the period under review. Activity in 2013 is expected to be at similar levels.

The Board continues to monitor closely regulatory developments, in particular the Alternative Investment Fund Managers Directive ("AIFMD") and its potential impact on the Company.

Board changes

At the AGM in May 2012 Edward Dawnay stepped down as Chairman. He was appointed to the Board in 1995 and became Chairman in 1999. On the Board's behalf I would like to record our debt of gratitude for his leadership and commitment over the past 17 years. In April 2012 Duncan Budge was appointed to the Board. He was previously Chief Operating Officer at RIT Capital Partners plc and brings with him a wealth of investment experience.

David Gamble

Chairman

19 March 2013

Delivering deals accross the UK

1. Scotland

Letts Filofax
Goals
Premier Hytemp
Weldex

2. North East

ABI
AIM
RSL Steeper
Zenith

3. North West

CGI
Davenham
OSS
WFEL

4. East Midlands

Caledonian
Fernau

5. West Midland

Capula
Gardner
Practice Plan

6. London and South East

CitySprint
Enrich
etc.venues
Formaplex
Red Commerce
Travel & General

7. South West and Channel Islands

Hawksford



Key:

1 Area locations

Board of Directors



David Gamble (69)**

was appointed to the Board in 2001 and became Chairman in 2012. 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 three further investment trusts, JPMorgan Emerging Markets Investment Trust PLC, Polar Capital Technology Trust PLC and Montanaro UK Smaller Companies Investment Trust PLC, of which he is Chairman. He is also a Director of IBM UK Pension Trust Limited and a member of the BBC Pension Trust Investment Committee. He also holds other advisory and non-executive positions.



Liz Airey (54)**

was appointed to the Board in 2005, and became chairman of the Audit Committee in 2009 and Senior Independent Director in 2012. She has over 30 years' experience in banking, corporate advisory and finance. She was Finance Director of Monument Oil and Gas plc from 1990 to 1999. She is non-executive Chairman of Unilever UK Pension Fund and a non-executive Director of Tate & Lyle PLC and Jupiter Fund Management plc.



Duncan Budge (57)**

was appointed to the Board in April 2012. He retired from his role as an Executive Director and Chief Operating Officer of RIT Capital Partners plc ("RIT") in 2011, having been appointed in 1995. He is Chairman of Spencer House Limited and a non-executive Director of The World Trust Fund.



Brian Finlayson (65)**

was appointed to the Board in 2007. He has over thirty years of 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 from Dunedin Capital Partners in March 2002. He is currently a non-executive director of Latchways plc.



Federico Marescotti (56)**

was appointed to the Board in 2009. He is Chief Executive of Vela Capital, a specialist private equity management company. Until December 2012 he sat on the Board of AIFI, the Italian Private Equity and Venture Capital Association, and chaired the Infrastructure Committee. He is a non-executive Director of JP Morgan European Smaller Companies Trust plc, Viva Power Fund and until September 2012 Ecofin Water & Power Opportunities Investment Trust Plc. He is an international advisor to ADCO International GMBH.

* Members of the Audit Committee.

Members of the Nomination Committee.

The Manager

The Trust is managed by Dunedin, an independent private equity fund manager. During 2012 the Manager transferred its business from Dunedin Capital Partners Limited to Dunedin LLP. Dunedin manages funds on behalf of Dunedin Enterprise Investment Trust and four limited partnership funds. In 2012 the Trust committed £50m to Dunedin's next buyout fund, which currently constitutes 17.5% of the fund.

Dunedin provides equity finance for management buyouts and management buyins with a transaction size of £20m – £75m. It is an independent private equity house, owned by the partners, operating throughout the UK from offices in Edinburgh and London. It has a New Investment team comprising sixteen investment professionals. Seven of the Partners have worked together for more than ten years, giving it an unrivalled depth of experience in the UK lower mid-market buyout market.

Dunedin focuses on a number of sectors, using its depth of knowledge to understand the market drivers and to build relationships with management teams, key industry participants and influencers. The firm has enjoyed particular success in the industrial, business services and financial services sectors, completing fourteen portfolio acquisitions since 2011 in order to drive the growth and internationalisation of its investee businesses.

Dunedin targets buyout investments where it can partner with management teams to build better businesses. Dunedin provides the knowledge, skills and finance to help the companies it backs to develop and attain their full potential. It targets businesses with the following characteristics:

- Proven management team with the desire to create and deliver value
- Strong market position, niche or brand
- Clear organic growth potential
- Internationalisation opportunities
- Potential for buy and build or roll-out
- Barriers to entry
- Legislation-driven products or services

Dunedin is authorised and regulated by the Financial Services Authority.

Objective and Investment Policy

Dunedin Enterprise is managed as an HM Revenue and Customs approved investment trust. Dunedin Enterprise's objective is to target a rate of return on equity in excess of 8% per annum over the long-term.

The Company aims to achieve its investment objective by investing in unquoted companies directly or via private equity funds managed by Dunedin or, pending their realisation, via private equity funds managed by managers other than Dunedin (the "FoF Portfolio").

The Company does not intend to make any new commitments to, or any new investments (other than investments resulting from existing commitments) in, private equity funds managed by managers other than Dunedin. Investments in the existing FoF Portfolio may be held to maturity, with any associated outstanding commitments being met when called, although the Directors reserve the right to sell all or any such investments, together with any associated outstanding commitments, prior to maturity if they believe that this is in the best interests of Shareholders as a whole.

Accordingly, the mix of investments by the Company among direct investments and investments via private equity funds managed by Dunedin or by managers other than Dunedin will vary from time to time. In the medium to long term, the exposure to the FoF Portfolio will decrease as the funds in the portfolio mature or the Company's interests in them are sold.

Ultimately, the Company will invest only in direct investments and investments via private equity funds managed by Dunedin, specialising in the provision of equity finance for management buyouts, management buyins and growing businesses in the UK lower mid-market (i.e. businesses with an enterprise value typically in the region of £20m – £75m). It is anticipated that the Company's direct investments will be in the form of co-investments alongside private equity funds managed by Dunedin in which the Company is also invested.

Not more than 15% of net asset value (measured at the date of investment) will be invested, directly or indirectly, in any single company or group of companies (measured at the date of investment). Investments are made across a range of business sectors. Investments are structured to deliver capital growth for the Company using a variety of financial instruments, including ordinary shares, preference shares, loan stock and mezzanine debt, either directly or through commitments to limited partnership funds.

The Company does not invest in other listed closed-end investment funds.

Cash balances are held either on cash deposit or in gilts or cash liquidity funds.

In common with most investment companies, the Company may borrow to finance further investment. Although Dunedin Enterprise is permitted by its Articles of Association to borrow an amount equal to the amount paid up on the issued share capital and the total amounts standing to the credit of the capital and revenue reserves of the Group, Board policy is that financial gearing will not exceed 40% of gross asset value.

Manager's Review

In the year to 31 December 2012 the Company's net asset value decreased from £163.0m to £137.2m. This movement is stated following a tender offer of £21.1m and dividend payments totalling £5.7m.

This movement in net assets is explained by:

	£m
Net asset value at 1 January 2012	163.0
Unrealised value increases	9.7
Unrealised value decreases	(14.6)
Realised profit over opening valuation	1.2
Tender offer to shareholders (excluding costs)	(21.1)
Dividends paid to shareholders	(5.7)
Other revenue and capital movements	4.7
Net asset value at 31 December 2012	137.2

The net asset value per share has moved from 541p at 31 December 2011 to 532.7p at 31 December 2012. After taking account of a final dividend for 2011 of 5p (paid in 2012) and a special dividend of 16p, the movement in the year equates to an increase of 2.3%.

The investment portfolio can be analysed as shown in the table below.

	Valuation at 1 January 2012 £'m	Additions in year £'m	Disposals in year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 31 December 2012 £'m
Dunedin managed	103.9	11.5	(34.1)	1.0	(5.8)	76.5
Third party managed	19.8	7.8	(3.7)	0.2	0.8	24.9
Legacy technology funds	1.5	–	(0.8)	–	0.1	0.8
	125.2	19.3	(38.6)	1.2	(4.9)	102.2
SWIP	14.5	–	(14.5)	–	–	–
	139.7	19.3	(53.1)	1.2	(4.9)	102.2

New Investment Activity

A total of £19.3m was invested in the year to 31 December 2012. Of this total, £11.5m was invested in Dunedin managed funds and £7.8m was drawn by European third party funds.

On 30 November 2012 an investment of £8.0m was made in Premier Hytemp through Dunedin Buyout Fund II LP ("DBFII"). DBFII invested a total of £27.0m for a majority stake in the company. Premier Hytemp is a global leader in the manufacture and supply chain management of quality engineered alloy components for the offshore and onshore oil and gas industry. Premier Hytemp is headquartered in

Tender Offer

In 2012 the Company undertook two tender offers. The first in April 2012 was for 10% of the share capital of the Company at a price of 475p per share which was a 12.2% discount to the most recently published net asset value per share as at 31 December 2011. In November 2012 there was a second tender offer undertaken by the company at a price of 500p per share which represented a discount of 11.7% to the net asset value per share as at 30 June 2012. The total amount returned to shareholders under these tender offers amounted to £21.1m. Following the sale of Egeria in February 2013 there remains £12.5m available for distribution to shareholders under the distribution policy approved by shareholders in November 2011.

Portfolio Composition

Dunedin Enterprise makes investments in unquoted companies through:

- Dunedin managed (funds and direct investments),
- third party managed funds, and
- legacy technology funds.

Edinburgh with manufacturing facilities in Edinburgh, Sheffield and Singapore. It also has operations in Calgary, Canada and will shortly open a base in Dubai. The company's turnover is in excess of £42m and it has over 200 employees worldwide.

A further £2.5m was invested in existing portfolio companies, Enrich (£1.6m), CGI (£0.7m) and Hawksford (£0.2m). A further £1.0m was drawn down by Dunedin managed funds for management fees.

A total of £7.8m was drawn down by four of the European funds to which the Company has made commitments.

The most significant drawdowns were made by Realza (£2.9m), Egeria (£2.1m), FSN Capital (£1.5m) and Innova (£1.3m). These funds make investments in buyouts in Spain and Portugal, the Netherlands mid-market, the Pan-Nordic mid-market and the Central Eastern European mid-markets respectively. A total of six underlying companies were purchased during the year.

Realisations

In the year a total of £53.1m was generated from portfolio realisations. As reported in last year's annual report the investment in SWIP was realised in February 2012 generating proceeds of £14.5m. Within the Dunedin managed portfolio £33.7m was generated from the realisations of WFEL, Capula and etc.venues.

WFEL was realised in May 2012 generating capital proceeds of £14.0m and income of £3.2m. The investment was sold to KMW, a German land defence systems provider. The sale realised a money multiple of 2.4 times. Capula was also realised in May 2012 generating net capital proceeds of £11.5m and income of £2.3m. The investment was sold to the Dutch quoted company, Imtech and generated a money multiple of 1.7 times. etc.venues was realised in November 2012 generating capital proceeds of £8.2m and income of £0.8m. The investment was sold to a secondary buyout and generated a money multiple of 3.1 times.

Loan stock redemptions from other portfolio companies amounted to £0.4m.

A total of £0.8m was generated from realisations within the legacy technology funds all of which are in the process of being wound up.

A total of £3.7m was generated from realisations from the third party managed European funds. The major element of this was generated from the sale of the Trust's interest in Capiton IV in August 2012 for £3.3m, an uplift of £0.2m on the valuation at 31 December 2011. There were loan stock redemptions totalling £0.4m generated from the other European fund portfolios.

Following the year end in February 2013 the Trust's interest in Egeria Private Equity Fund II was realised for €9.7m and released the Trust from future commitments of €1.9m. The realised value is recognised in the valuation at 31 December 2012.

Cash and commitments

At 31 December 2012 the Company had cash and near cash balances of £33.9m all of which are denominated in sterling. On 1 September 2012 the Company increased its revolving credit facility with Lloyds from £10m to £20m. The term of the facility remains for one year and has been taken to ensure that all commitments to funds can be met by the Company.

During the year a commitment of £50m was made by the Trust to Dunedin's next buyout fund. This will be the third buyout fund raised by the Manager of the Trust and will make investments in the UK lower mid-market over the next five years.

The Company has undrawn commitments to Dunedin managed funds of £65.8m and a further €23.3m (£18.9m) of undrawn commitments to the three remaining European funds following the sale of Egeria.

Unrealised movements in valuations

In the year to 31 December 2012 the largest single uplift in value was generated by Formaplex. Strong trading within the Import Tooling division as well as good performance from the Foxhound, Moulding and Composite divisions delivered profit growth in 2012, generating an increase in valuation of £3.5m. CitySprint also achieved strong trading results in 2012 with a 36% increase in maintainable earnings. This was driven by organic growth through new contract wins in retail fulfilment and healthcare and positive contributions from acquisitions during the year. The valuation of the company has increased by £2.2m in the year.

Positive contributions from acquisitions have also benefitted the valuation of Hawksford which resulted in a valuation increase of £1.0m.

The valuation of OSS has been reduced by £8.6m to £1.0m due to a reduced level of maintainable earnings.

Performance of the business in 2012 has been adversely impacted by a marked downturn in its domestic market. The business responded quickly by developing a new export sales channel which has delivered significant sales from May 2012. The Trust has held the investment in OSS since 2000 during which time earnings have been volatile. The Trust has been returned the cost of its investment in OSS via dividends and loan interest receipts and remains supportive of the company.

The postponement of major IT projects by large multi-national companies in the face of the Eurozone crisis has impacted the trading performance of Red Commerce during the year. The reduction in maintainable earnings has led to a reduction in the valuation of the investment by £2.8m. Additional working capital of £1.4m has been made available to Enrich during the year. This has been fully provided against as the company continues to find trading difficult.

Within the Dunedin managed portfolio ten companies are budgeting for increased or flat profits in the current financial year, two are budgeting for lower profits. The valuation of the Dunedin managed investments includes accrued interest of £10.8m (2011: £13.9m).

Valuations and Gearing

The average earnings multiple applied in the valuation of the Dunedin managed portfolio was 7.0x EBITDA (2011: 6.8x), or 8.5x EBITA (2011: 8.1x). These multiples continue to be applied to maintainable profits.

Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.2x EBITDA (2011: 2.1x) or 2.7x EBITA (2011: 2.5x). Analysing the portfolio gearing in more detail, the percentage of investment value represented by different gearing levels was as follows:

Less than 1 x EBITDA	20%
Between 1 and 2 x EBITDA	20%
Between 2 and 3 x EBITDA	49%
More than 3 x EBITDA	11%

Of the total acquisition debt in the Dunedin managed portfolio companies the scheduled repayments are spread as follows:

Less than one year	14%
Between one and three years	30%
More than 3 years	56%

Portfolio Analysis

Detailed below is an analysis of the investment portfolio by geographic location and cash reserves as at 31 December 2012. When the sale of Egeria is recognised in the analysis the exposure to Europe reduces to 12% and cash reserves increase to 31%.

	31 December 2012 %	31 December 2011 %
UK	57	70
Rest of Europe	18	14
Cash	25	16

Sector Analysis

The investment portfolio of the Company is broadly diversified. At 31 December 2012 the largest sector exposure of 42% remains to the Support Services sector, a diverse sector in itself. There has been a significant reduction in this sector following the realisations of Capula and etc.venues.

	31 December 2012 %	31 December 2011 %
Construction and building materials	8	6
Consumer products & services	6	3
Financial services	10	6
Healthcare	5	3
Industrials	24	19
Retail	1	–
Support services	42	60
Technology	4	3

Deal Type

The portfolio of investments continues to be predominantly weighted towards MBO/MBI's.

	31 December 2012 %	31 December 2011 %
Management buyouts/buyins	99	99
Technology	1	1

Valuation Method

	31 December 2012 %	31 December 2011 %
Cost	14	8
Earnings – provision	25	15
Earnings – uplift	53	77
Exit price	8	–

Year of Investment

In the vintage year table below, value is allocated to the year in which either Dunedin Enterprise or the third party manager first invested in each portfolio company.

	31 December 2012 %	31 December 2011 %
<1 year	15	12
1-3 years	44	30
3-5 years	12	9
>5 years	29	49

Dunedin LLP

19 March 2013

Top ten investments (held via funds and direct investments)



Percentage of equity held	11.9%
Cost of Investment	£9.8m
Directors' valuation	£13.2m
Percentage of Dunedin Enterprise's net assets	9.6%



CitySprint (UK) Group Limited

In December 2010, Dunedin Enterprise invested £9.8m in CitySprint to support the company's ongoing buy and build strategy.

CitySprint is the UK's market leader in the same day delivery sector with a national network of 37 service centres. CitySprint benefits from an asset light business model with over 2,500 self-employed couriers, making the business both highly flexible and scalable.

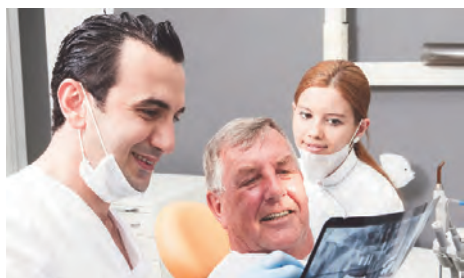
The business splits its activities into key services of same day courier, same day logistics and International and UK overnight courier to a number of different sectors, including healthcare, online retail fulfilment and parts fulfilment such as outsourced supply chain services for engineering and servicing companies, including delivery of parts and stock forwarding. CitySprint now has the UK's largest SameDay healthcare courier network.

Since 2012 CitySprint made three acquisitions to expand its reach and consolidate its position as the UK's leading private same day distribution company, bringing the number of acquisitions made since Dunedin's buyout to eight. The acquisitions were the same day courier, UK overnight and International operations of Scarlet Couriers; Eagle Express Worldwide Couriers; and Sameday UK.

In the year to 31 December 2011, the audited operating profit of CitySprint was £1.6m on turnover of £74.3m. Dunedin Enterprise's investment is held via Dunedin Buyout Fund II LP.



Percentage of equity held	26.2%
Cost of Investment	£5.6m
Directors' valuation	£12.1m
Percentage of Dunedin Enterprise's net assets	8.8%



Practice Plan Holdings Limited

In September 2005, Dunedin Enterprise invested £4.3m in the management buyout of Shropshire-based Practice Plan Group. A £26m recapitalisation of Practice Plan took place in May 2007, returning £6.6m of proceeds to Dunedin Enterprise. Dunedin Enterprise has re-invested £10.4m in ordinary shares, loan stock and preference shares of which £4.8m was redeemed in 2011.

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 dental practices 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.

Dental patient finance is a growing market and is increasingly relevant to many dental practices. In tough economic conditions, it allows patients to spread the cost of their treatment, while demand for restorative and cosmetic dentistry is predicted to grow substantially in the next 10 years.

Practice Plan has an active business expansion strategy based on both organic and acquisition growth. In October 2011 Practice Plan made two acquisitions; Isoplan, a UK dental plan provider, and Medenta, the market leader in dental patient finance. During 2012 the company has taken the first steps to entering both the Australian and US markets.

In the year ended 30 June 2012, the audited operating profit of Practice Plan was £2.6m (2011: £3.2m) on turnover of £7.2m (2011: £6.3m). Dunedin Enterprise's investment is held directly and via Dunedin Buyout Fund LP.

EGERIA

Percentage of equity held	3.4%
Cost of Investment	£6.6m
Directors' valuation	£8.4m
Percentage of Dunedin Enterprise's net assets	6.1%



Egeria Private Equity Fund III LP

Egeria Private Equity Fund III LP is a Dutch private equity fund which invests in companies based in The Netherlands with a leading market position, growing and predictable cash flows, a professional management team and a minimum EBIT of €5m.

As at 31 December 2012 the fund had invested in seven portfolio companies and was 81% drawn.

The sectors covered by these investments included media, financial services, textiles, brewing and automotive. The Trust's investment in Egeria was realised in February 2013 for a consideration of €9.7m. The proceeds represented an uplift of €0.2m on Dunedin Enterprise's most recently published valuation at 30 September 2012. Outstanding commitments to Egeria of €1.9m were also released.

Dunedin Enterprise's investment is held via Dunedin Fund of Funds LP.

PH Premier Hytemp

QUALITY ENGINEERED ALLOYS

Percentage of equity held	23.0%
Cost of Investment	£8.0m
Directors' valuation	£8.0m
Percentage of Dunedin Enterprise's net assets	5.9%



Premier Hytemp Bidco Limited

In December 2012, Dunedin Enterprise invested £8.0m in the management buyout of Premier Hytemp.

Premier Hytemp is a global leader in the manufacture and supply chain management of quality engineered alloy components for the offshore and onshore oil and gas industry. The Group was acquired from Murray International Holdings, in a £34.5m transaction.

Premier Hytemp is headquartered in Edinburgh with manufacturing facilities in Edinburgh, Sheffield and Singapore. It also has operations in Calgary, Canada and will shortly open a base in Dubai.

The Group turns over in excess of £42m and supplies complex, high integrity machined parts on short lead times to the global offshore and onshore oil and gas sector. The company has over 200 employees worldwide and has a strong heritage of engineering excellence. It also operates Singapore's largest steel heat treatment facility, which is currently being expanded.

The market for Premier Hytemp's products is growing, driven by global demand for oil and gas and investment in new oil wells. Premier Hytemp is well placed to expand its capabilities, geographic footprint and product offering to further enhance its position in the global market. Dunedin Enterprise's investment is held via Dunedin Buyout Fund II LP.



Percentage of equity held	15.1%
Cost of Investment	£9.5m
Directors' valuation	£7.6m
Percentage of Dunedin Enterprise's net assets	5.5%



Weldex (International) Offshore Holdings Limited

In June 2010, Dunedin Enterprise invested £9.5m in the secondary buyout of Weldex Holdings Limited.

Weldex is the UK market leading crawler crane hire company. Its cranes, including the two largest in the UK, have been used in a number of significant construction projects including Heathrow Terminal 5, the iconic arch at the new Wembley Stadium and the 2012 Olympic site. The company is well placed to benefit from the rapid growth in offshore wind farm developments and UK power station construction and decommissioning.

Weldex was established in 1979 and has grown into the UK's largest crawler crane hire company. Weldex employs 102 employees and operates nationwide and overseas from its headquarters in Inverness and its depot at Alfreton. The company also supplies associated lifting equipment including wheeled cranes, forklifts, lorry loaders and trailers. It recently opened a new base established at Nigg Energy Park to undertake oil and gas decommissioning work.

In the period to 30 November 2011, the audited operating profit of Weldex was £12.1m on turnover of £36.8m. Dunedin Enterprise's investment is held via Dunedin Buyout Fund II LP.



Percentage of equity held	8.9%
Cost of Investment	£6.2m
Directors' valuation	£7.4m
Percentage of Dunedin Enterprise's net assets	5.4%



Realza Capital FCR

Realza Capital FCR is a Spanish private equity fund making investments in Spain and Portugal. The fund is limited to investing 15% of commitments in Portugal.

The fund invests in companies with leading market positions and attractive growth prospects either through organic growth or through subsequent merger & acquisition activity. Realza seeks to invest in companies with an Enterprise Value normally ranging from €20m to €100m. The fund's typical equity investment will range from €10m to €25m.

In light of the difficult economic environment in Spain the fund has been cautious to invest since final close of the fund in 2008. As at 31 December 2012 the fund was invested in four portfolio companies and was 51% drawn.

The areas of business in which the fund's four investments operate are:- management and operation of dental clinics, manufacture and sale of digital photo-books, manufacture and sale of household cleaning and personal care product, and tax management services to local government.

Dunedin Enterprise's investment is held via Dunedin Fund of Funds LP.



Percentage of equity held	17.7%
Cost of Investment	£1.7m
Directors' valuation	£7.0m
Percentage of Dunedin Enterprise's net assets	5.1%



Formaplex Group Limited

In December 2007, Dunedin Enterprise invested £3.1m in Formaplex. The company has redeemed £1.4m of loan stock since acquisition.

Formaplex is an advanced manufacturing services business focussed on tooling and component manufacture and other supply chain services in advanced materials (plastics and composites).

Based in Havant, near Portsmouth, Formaplex has a market-leading position in the UK premium automotive and motorsport sectors, with a rapidly growing share of the UK and European high-volume automotive, defence, aerospace and industrial markets. It operates from three state of the art UK manufacturing facilities with a strong network of European and Asian supply partners. The business has an enviable, blue chip customer base, with which it has developed long-standing, trusted relationships.

Formaplex has successfully challenged traditional methods used in the tool making industry to create a differentiated and highly profitable offering in a marketplace characterised by low margins and long lead times. The growth in Formaplex is driven by its ability to provide innovation and outstanding service to its clients servicing the rapidly growing plastics and composites market. Formaplex recently opened new state of the art manufacturing facilities, increasing its production facilities, as a result of significant organic growth, from 20,000 sq. ft., in 2007 when Dunedin Enterprise invested, to 135,000 sq. ft. in 2012.

In the year to 30 June 2012, the audited operating profit of Formaplex was £4.8m (2011: £2.3m) on turnover of £26.7m (2011: £16.9m). Dunedin Enterprise's investment is held via Dunedin Buyout Fund II LP and Equity Harvest Fund LP.



Percentage of equity held	18.7%
Cost of Investment	£7.9m
Directors' valuation	£6.7m
Percentage of Dunedin Enterprise's net assets	4.9%



Dunedin Claret Limited (Red Commerce)

In July 2011, Dunedin Enterprise invested £8.0m in the management buyout of London-based Red Commerce.

Red Commerce is a global supplier of SAP experts to international corporations and consultancies. SAP stands for Systems, Applications and Products in data processing. SAP is the market leader in ERP software (Enterprise Resource Planning software), which helps companies of all sizes and industries operate more efficiently, including many of the world's largest organisations.

Red Commerce, which was founded in 2000, now has a global footprint with access to over 200,000 SAP experts in 80 countries, and offices in the UK, Germany, France, Scandinavia, Switzerland, Brazil and the US. Clients include Bosch, Johnson & Johnson and Novartis.

Named one of the best Small Companies to Work For in 2010, 2011 and 2012 by the Sunday Times Best 100, Red Commerce prides itself on outstanding customer service with an ability to access the best and most appropriate consultants to cutting edge SAP implementations, locally and globally. Business growth is expected to come from expanding the international office network and continued focus on service differentiation. Alongside this rapid organic growth plan, Red Commerce will also consider making strategic acquisitions.

In the period to 31 March 2012, the audited operating profit of Red Commerce was £2.9m on turnover of £59.8m. Dunedin Enterprise's investment is held via Dunedin Buyout Fund II LP.

Hawksford

Percentage of equity held	16.0%
Cost of Investment	£3.8m
Directors' valuation	£6.3m
Percentage of Dunedin Enterprise's net assets	4.6%



Hawksford International Limited

Dunedin Enterprise invested £3.7m in the £23.5m buyout of Rathbone International in October 2008. The business was immediately renamed Hawksford following the deal. A £13.5m senior debt refinancing was concluded three weeks after completing the buyout.

Hawksford is a Jersey based provider of trust and fiduciary services to ultra-high net worth individuals. The business, which has its foundations in the mid-nineteenth century, has been built through a series of amalgamations of professional firms in Jersey, the second largest global centre for offshore trust administration services, and where Hawksford has its headquarters.

In the last two years the business has completed the acquisitions of Trustcorp Jersey Limited, L-S&S GmbH, a Swiss boutique private wealth law firm, and the funds business of Standard Bank Dubai.

In February 2013 Hawksford acquired Key Trust Company Limited, the fourth acquisition since the management buyout in October 2008. The acquisition boosted the company's capacity with its headcount and further enhanced its market leading position. The Key Trust acquisition forms part of its wider growth strategy through acquisition. Hawksford has recently appointed a new chairman, Philip Taylor, to help drive the company's development into new markets.

In the year to 31 December 2011, the audited operating profit of Hawksford was £1.8m (2010: £2.0m) on turnover of £14.4m (2010: £13.7m). Dunedin Enterprise's investment is held via Dunedin Buyout Fund II LP and Equity Harvest Fund LP.

CGI

Percentage of equity held	41.4%
Cost of Investment	£9.3m
Directors' valuation	£6.2m
Percentage of Dunedin Enterprise's net assets	4.5%



C.G.I. Group Holdings Limited

Dunedin Enterprise first invested in CGI in 1998, in support of a management buyout of the company. Since that time the company has been through two refinancings allowing Dunedin Enterprise to realise a total of £12.9m in capital and income to date from this investment.

CGI is a leading manufacturer and supplier of specialist glasses, mainly fire resistant glasses which are either manufactured by CGI or sourced exclusively worldwide. The company exports two thirds of its production from its base in Haydock, Merseyside.

In November 2012, CGI reinforced its European reach with the creation of CGI France – a new trading entity. Taking over the business activities of Interver SA in France, a long established producer of fire resistant glasses, CGI France will enhance the existing range of products with the company retaining the Interver brand for the next 12 months. Located in the East of France at Seingbouse in Moselle, CGI France will operate a 120,000 sq. ft. production facility more than doubling the Group's current manufacturing capacity.

From a customer and service perspective, the new operation will increase the efficiency of deliveries to pan-European customers while the Pyroguard portfolio will now include the complete range of E, EW and EI products for all timber, steel, aluminium, double glazed and butt joint applications.

In the year ended 31 December 2011, the audited operating profit of CGI was £1.4m (2010: £1.4m) on turnover of £12.1m (2010: £11.4m). Dunedin Enterprise's investment is held directly.

The Remaining Investments (held directly and via funds)

Company Last reported	Proportion of fully diluted capital owned %	Book cost £m	Valuation £m	Percentage of net assets %
Description of business				
U-POL Group Limited 31.12.11 Manufacture of branded automotive refinishing consumables (held via Dunedin Buyout Fund II LP)	5.2	5.7	5.7	4.1
FSN Capital III LP 31.12.11 Nordic private equity fund (held via Dunedin Fund of Funds LP)	3.3	6.5	5.4	3.9
Innova/5 LP 31.12.11 Central European private equity fund (held via Dunedin Fund of Funds LP)	3.9	3.7	3.7	2.7
RSL Steeper Holdings Limited 28.02.12 Provider of prosthetic, orthotic and assistive technology products (held directly and via Dunedin Buyout Fund LP and Equity Harvest Fund LP)	40.0	5.3	2.7	2.0
OSS Environmental Holdings Limited 31.12.11 Waste oil collection and recycling (held directly)	40.2	6.0	1.0	0.7
ADD One LP 31.12.11 Technology fund (held directly)	2.9	1.8	0.3	0.2
Alta-Berkeley VI CV 31.12.11 Technology fund (held directly)	3.0	0.8	0.3	0.2
Advent Private Equity Fund III LP 31.12.11 Technology fund (held directly)	3.0	1.0	0.2	0.2
First Cambridge Gateway LP 31.12.11 Technology fund (held directly)	6.0	1.8	–	–
Sycamore Topco Limited (Enrich) 31.03.12 Employee benefit consultants (held via Dunedin Buyout Fund II LP and Equity Harvest Fund LP)	32.7	7.0	–	–

Long Term Record

Ended 30 April	Net Assets £'000	Cash returned via tender offer £'000	Revenue available for ordinary shareholders £'000	Per Ordinary Share			
				Net asset value	Earnings	Dividend	Share price
				p	p	p	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
Ended 31 December							
2007	159,947		2,516	529.5	8.3	7.5	415.75
2008	130,777		8,825	433.4	29.2	25.85	211.0
2009	122,856		726	407.1	2.4	2.5	266.5
2010	150,083		1,125	497.3	3.7	3.8	300.0
2011	162,956		1,307	541.0	4.3	5.0	313.5
2012	137,198	21,086	5,801	532.7	20.8	22.5	412.38

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

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Directors' Report

The Directors present the audited accounts for the year to 31 December 2012 and the report on its affairs. Dunedin Enterprise Investment Trust PLC's company number is SC52844.

Business Review

The Business Review includes the Chairman's Statement on pages 2 to 3, the Manager's Review on pages 7 to 9 and this Directors' Report on pages 18 to 21.

Investment Objective and Investment Policy

The Company's investment objective and investment policy is detailed on page 6.

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
- ongoing charges

Details of the KPIs are shown on pages 1 and 16.

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 on page 21, the Board intends to seek renewal of its annual share buyback 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 and outlook is contained in the Chairman's Statement and the Manager's Review on pages 2 to 3 and 7 to 9 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.

Principal Risks, Risk Management and Regulatory Environment

The Board believes that the principal risks faced by the Company are:

- Investment and strategic – an inappropriate strategy, poor asset allocation or consistent weak investment selection might lead

to under performance and poor returns to shareholders. Therefore the Company's investment strategy is periodically reviewed by the Board which considers at each meeting the performance of the investment portfolio.

- Economic risk – events such as an economic recession or movement in stock markets and interest rates would affect portfolio company valuations and their ability to access capital for their business.
- Liquidity risk – the Company's investments may be difficult to realise. The majority of investments are in unquoted companies which by their nature are not readily realisable assets.
- Currency risk – a movement in exchange rates could affect portfolio company valuations and the sterling cost of future euro drawdowns. The current policy of the Board is not to hedge euro currency risk due to the uncertainty of the timing of euro realisations and drawdowns.
- People risk – key employees leaving Dunedin.
- Loss of approval as an Investment Trust – the Company must comply with Section 1158 of the Corporation Tax Act 2010 which allows it to be exempted from capital gains on investment gains. Any breach of these rules may lead to the Company losing its approval as an Investment Trust and losing its exemption from corporation tax on capital gains. The Company must also comply with the Investment Trust (Approved Company) (Tax) Regulations 2011.
- Regulatory – the Company is required to comply with the Companies Act, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. The impact of the introduction of AIFMD on the Company is yet to be finalised.
- Reputational – inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.
- Operational – failure of the Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.
- Financial – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

The Board seeks to mitigate the internal risks by setting policy, regular review of performance, enforcement of contractual obligations and monitoring progress and compliance. In the mitigation and management of these risks, the Board applies rigorously the principles detailed in the Turnbull guidance. Details of the Company's internal controls are contained in the Corporate Governance Report on pages 22 to 24.

Financials

The financial highlights for the year under review are detailed on page 1.

Dividends

A final dividend of 6.5p is to be paid to shareholders on 24 May 2013, to shareholders on the register at close of business on 3 May 2013. The ex-dividend date is 1 May 2013. The final dividend for the year to 31 December 2012 of 6.5p compares to 5.0p for 2011. In addition a special dividend of 16.0p was paid on 28 September 2012.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 to 3. The financial position of the Group, its cash flows and liquidity position are described in the Manager's Review on pages 7 to 9. In addition note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Status

In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The last accounting period for which the Company has been treated as approved as an investment trust by HM Revenue & Customs was for the year ended 31 December 2011. The Company has also already made a successful application under Regulation 5 of the Investment Trust (Approved Company) (Tax) Regulations 2011 for investment trust status to apply to all accounting periods starting on or after 1 January 2012.

Directors

Details of the current Directors of the Company are shown on page 4. Edward Dawney retired as Chairman on 18 May 2012 and was succeeded by David Gamble. The retiring Chairman was not involved in the selection or appointment of his successor. Duncan Budge was appointed to the Board on 2 April 2012 following a full selection process which included the use of an external specialist search consultant.

In accordance with the UK Corporate Governance Code and the AIC's Code of Corporate Governance, David Gamble and Federico Marescotti will retire from the Board and, being eligible, offer themselves for re-election at the Annual General Meeting ("AGM"). Neither David Gamble nor Federico Marescotti have service contracts with the Company.

Under the terms of the UK Corporate Governance Code and the AIC's Code of Corporate Governance, non-executive directors may serve longer than nine years subject to annual re-election. David

Gamble has served longer than nine years and is therefore subject to annual re-election. The Board has carefully considered the independence of each Director and 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 David Gamble retains independence of character and judgement.

Following performance evaluation, David Gamble and Federico Marescotti continue to perform effectively in the view of the other Directors and to demonstrate commitment to the Company. The re-election of David Gamble and Federico Marescotti is recommended to shareholders as their skills and experience continues to add to the strength of the Board.

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. The Company has entered into deeds of indemnity with each of the Directors. These are qualifying third party indemnity provisions and are in force as at the date of this report. This information is disclosed in accordance with Sections 236(2) and 236(3) of the Companies Act 2006.

Directors' Interests

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

	31 December 2012	31 December 2011
Liz Airey	50,000	50,000
Duncan Budge	5,000	–
Brian Finlayson	82,664	82,664
David Gamble	13,000	13,000
Federico Marescotti	4,000	4,000

No notifications of any change in the above interests have been received in the period from 31 December 2012 to the date of this report.

Brian Finlayson holds a power of attorney in respect of 2,015 shares held by his son. He does not have the power to vote these shares. These shares are included in the interest noted for Brian Finlayson of 82,664.

Investment Manager

The principal terms of the Company's management agreement with Dunedin LLP ("Dunedin") are set out on page 47.

The Board has thoroughly reviewed Dunedin's investment policy 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.

In May 2008, the Company's shareholders approved management incentive arrangements and the introduction of two investment classes within the overall assets of the Company, the Fund of Funds Limited Partnership which made commitments predominantly to European buyout funds and the Co-investment Limited Partnership which co-invests principally alongside funds where Dunedin Enterprise is, or is seeking to become, an investor. The Company is a limited partner in both partnerships as are Dunedin's executives who invest in the partnerships as a limited partner (through the Fund of Funds Founder Partner and the Co-investment Fund Founder Partner). Dunedin is the general partner of both partnerships.

While the co-investment scheme for Dunedin executives operated by Dunedin Enterprise (under which selected Dunedin executives invested their own funds in ordinary shares alongside direct investments by the Company) has been replaced by the new Co-investment Limited Partnership, the co-investment scheme continues to operate for investments made prior to May 2008. The Fund of Funds Limited Partnership, the Co-Investment Limited Partnership and the Dunedin managed funds operate carried interest schemes. Dunedin executives participate in these carried interest schemes.

In November 2012, the Company's shareholders approved a new performance fee in relation to the European fund investments held via Dunedin Fund of Funds LP. The Manager is incentivised to realise the underlying investments and commitments in the underlying European fund investments based both upon the value realised compared to the third party manager's valuation and the timing of the realisation.

Director's Conflicts of Interest

The Companies Act 2006 sets out Directors' general duties and from 1 October 2008 a Director, under this Act, must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The 2006 Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain provisions to this effect. The Company's articles give the Directors authority to approve such situations.

The Company maintains a register of Directors' conflicts of interest which have been disclosed and approved by the other Directors. The register is kept up to date and the Directors are required to disclose to the Company Secretary any change to conflicts or any potential new conflicts.

Bribery Act

The Bribery Act came into force on 1 July 2011. The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The investment manager also adopts a zero tolerance approach and has policies and procedures in place to prevent bribery.

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 5 April 2013. Details of any changes in substantial interests notified during the financial year can be found on the Company's website.

	Ordinary shares	% of issued share capital
Legal & General Group	6,927,140	26.9
Alliance Trust Savings	3,613,620	14.0
Baillie Gifford Diversified Growth Fund	1,339,542	5.2
East Riding of Yorkshire Council	1,100,419	4.3
Brewin Dolphin	1,089,627	4.2

Share Capital

At 31 December 2012, the Company had 25,754,635 Ordinary Shares of 25p each, fully paid. The Company undertook two tender offers during the year and repurchased 4,367,745 Ordinary Shares at a cost of £21,429,556. Please refer to page 43 for further details.

Dividends

The Ordinary Shares carry a right to receive dividends which are subject to shareholder approval.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholding.

Voting Rights

Each ordinary shareholder present in person or by proxy is entitled to one vote in a show of hands and, on a poll, to one vote for every share held.

Charitable and Political Donations

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

Social, Community and Environmental Policy

As an investment trust, the Company has no direct social, community or environmental responsibilities. The Manager with the support of the Board, does however, take these issues into consideration with regard to investment decisions on behalf of the Company.

Related Party Transactions

Reference is made to Note 22 on page 46.

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 31 December 2012.

Disclosure of Information to the Auditor

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 auditor is 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 auditor is aware of that information.

Corporate Governance

The statement on Corporate Governance on pages 22 to 24 is included in the Directors' Report by reference.

Annual General Meeting ("AGM")

The AGM of the Company will be held at 11.00 am on 17 May 2013 at The Sheraton Hotel, 1 Festival Square, Edinburgh EH3 9SR. Notice of the AGM is given on pages 48 to 50 of this report.

Set out below is an explanation of resolutions 6 to 12 to be considered at the AGM.

Independent Auditor

The auditor, KPMG Audit Plc ("KPMG"), 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 6 at the AGM.

Authority of directors to allot shares

Resolutions 7 and 8 to be proposed at the AGM relate to the allotment of shares.

If approved, resolution 7 would empower the Directors to allot shares of the Company up to a maximum aggregate nominal amount of £2,146,219 being an amount equal to one third of the issued share capital of the Company as at 8 April 2013 for cash.

If approved, resolution 8 would empower Directors to allot shares of the Company up to a maximum aggregate nominal amount of £321,932 being an amount equal to five per cent of the issued share capital of the Company as at 8 April 2013 as if Section 561 of the Companies Act 2006 did not apply. This section requires, when shares are to be allotted for cash, such new shares first be offered to existing shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights".

The authorities contained in resolutions 7 and 8 will continue until the Annual General Meeting of the Company in 2014. The Directors do not have any immediate plans to make use of these authorities.

Amendment of the Company's Articles

The Company's Articles currently prohibit the distribution of realised capital profits as dividends. This prohibition is no longer required under the new investment trust tax rules. To enable the Board to have greater flexibility in implementing the Company's dividend policy resolution 9 seeks to amend the Company's Articles by removing that prohibition.

Authority to buy back shares

Resolution 10 relates to the Directors' authority to buy back shares for cancellation. This authority 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 3,863,194 ordinary shares (being 14.99% of the issued share capital as at 5 April 2013). This authority will expire at

the conclusion of the AGM of the Company in 2014 (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.

Notice of General Meetings

The Shareholder Rights Directive was implemented in the UK in August 2009. One of the requirements of the Directive is that all general meetings must be held on 21 days' notice unless shareholders agree to a shorter notice period. Resolution 11 seeks to renew this shareholder approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice. The Directors only intend to call a general meeting on less than 21 days notice where the proposals are time sensitive and the short notice would clearly be an advantage to shareholders as a whole.

Tender Offer

The Board proposes to return, in accordance with the Company's distribution policy, approximately £12.5m in cash realised from the sale of certain of the Company's investments to shareholders via a tender offer (the "Tender Offer") for up to 2,631,575 Ordinary Shares of 25p each, at a price of 475p per share, equivalent to a 10.8 per cent. discount to the NAV per share of 532.7p as at 31 December 2012. Under the Companies Act 2006, the Tender Offer requires shareholder approval. Resolution 12 relates to the Company's authority to make market purchases of its shares pursuant to the Tender Offer. A circular setting out the terms and conditions of the Tender Offer is enclosed with the Company's Annual Report and Accounts 2012.

Your Directors consider that all the resolutions set out in the Notice of Annual General Meeting given on pages 48 to 50 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.

By order of the Board,

Dunedin LLP

Secretary
Edinburgh

Corporate Governance Report

The Board considers that the Company has complied with the provisions contained in the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 and the recommendations of the AIC's Code of Corporate Governance issued in October 2010 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment companies ("the AIC Guide") throughout this accounting period with the exception of the matters noted below. The Board is considering the new edition of the UK Corporate Governance Code, published in September 2012, applicable for the 2013 financial year, and are working to ensure compliance with its provisions during the forthcoming year.

The AIC Code and the AIC Guide can both be found on the AIC website (www.theaic.co.uk) and a copy of the UK Corporate Governance Code can be found at www.frc.org.uk.

The UK Corporate Governance Code includes provisions relating to the role of the Chief Executive, and Executive Directors' remuneration. For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers that these provisions are not relevant to the position of the Company, which is an externally managed investment company. The Company has not, therefore, reported further in respect of these provisions.

The Board

The Board consists of five non-executive Directors, all of whom the Company deems to be independent, even though David Gamble has served as a Director for over nine years. David Gamble's biography, on page 4, highlights his 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.

There were the following Board changes during 2012; Duncan Budge joined the Board on 2 April 2012 and the Chairman, Edward Dawnay, retired following the AGM on 18 May 2012 and was succeeded as Chairman by David Gamble. The Board undertook a full selection process in the appointment of Duncan Budge including the use of an external specialist search consultant.

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Following appointment, the Chairman regularly reviews and agrees with Directors their training and development needs as necessary to enable them to discharge their duties.

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 decision. 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 and social, ethical and other business issues. The investment manager's ESG policy can be found at www.dunedin.com.

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 Articles of Association require that all Directors are subject to retirement by rotation and given this and that all of the Directors are non executive directors, the Board does not consider it appropriate for the Directors to be appointed for a specified term as recommended by provision B.2.3 of the UK Corporate Governance Code. The Board's policy on tenure is that Directors retire by rotation at every third AGM or more frequently as required by the rules of the UK Corporate Governance Code and the AIC's Code of Corporate Governance. Any Directors appointed to the Board since the previous AGM also retire and stand for election.

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 Board believes that it has an appropriate balance of skills and experience, length of service and knowledge of the Company.

The Board supports diversity in the boardroom and are of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise. We will seek to ensure that long lists and short lists reflect that position.

The table below details the number of Board, Audit and Nomination Committee meetings attended by each Director. During the year there were four Board meetings, two Audit Committee meetings and two Nomination Committee meetings. There were also nine additional Directors meetings held during the year.

Directors	Regular Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended
Edward Dawnay (resigned 18 May 2012)	2	1	–
Liz Airey	4	2	2
Duncan Budge (appointed 2 April 2012)	2	1	–
Brian Finlayson	4	2	2
David Gamble	4	2	2
Federico Marescotti	4	2	2

Board Committees

The Board considers that, given the size of the Board, it would be unnecessarily burdensome to establish separate Audit and Nomination Committees which did not involve the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise. The Board as a whole fulfill the function of the Remuneration Committee and the Management Engagement Committee.

There are two committees of the Board, the Audit Committee and the Nomination Committee. The terms of reference for both committees are available from the Company's website. A report of the activity of each committee is set out below.

The Nomination Committee

Members:

David Gamble (Chairman)
Liz Airey
Duncan Budge
Brian Finlayson
Federico Marescotti

The Nomination Committee 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 Nomination Committee uses external specialist search consultants to assist it in carrying out its responsibilities.

The Nomination Committee comprises the independent non-executive Directors and is chaired by David Gamble, except when the Committee reviews his performance as Chairman or considers his succession. In such circumstances, the Nomination Committee elects an alternative member to take the Chair.

During the year the Nomination Committee undertook a selection process which resulted in the appointment of Duncan Bridge and incorporated the use of specialist search consultants.

The Audit Committee

Members:

Liz Airey (Chairman)
Duncan Budge
Brian Finlayson
David Gamble
Federico Marescotti
Edward Dawnay (until 18 May 2012)

The Audit Committee comprises all the independent non-executive directors. The Directors believe that it is in the best interests of the Company that its Chairman, David Gamble, is a member of the Committee.

The Committee's principal responsibilities are:

- to review the interim and annual financial statements, interim management statements, matters relating to accounting policy, laws and regulations;
- to review the valuation of portfolio investments;
- to review the effectiveness of the internal control systems and the policies and procedures for the identification and assessment of business risks and the management of these risks;
- to review corporate governance compliance;
- to review the nature and scope of the work to be performed by the external auditors;
- to evaluate the independence, objectivity, effectiveness, resources and qualifications of the auditors and develop and implement a policy on the engagement of the auditors to provide non audit services and to review such fees having regard to their independence; and
- to make recommendations as to the appointment and remuneration of the external auditors;

During the year the Audit Committee carried out a review of its terms of reference and its own effectiveness. It has concluded that it is satisfactorily fulfilling its terms of reference and is operating effectively but it has also identified some ways to enhance its effectiveness in the year ahead.

The Committee meets at least twice a year (and in future will meet four times a year) to carry out its responsibilities and senior representatives of the Manager attend the meetings as required by the Committee. The external auditors attend the Committee's meetings twice a year and meet with the Committee without representatives of the Manager being present.

The Audit Committee monitors the relationship with the external auditors with a view to ensuring that they do not provide non-audit services to the Company that have the potential to impair or appear to impair the independence of their audit role. The Board has approved a policy which recognises that it will be appropriate and cost effective for the external auditors to provide certain specified categories of non-audit services but has determined that fees in excess of £50,000 for taxation services and £20,000 for non taxation services require approval by the Audit Committee.

The external auditor, KPMG, has provided details of other relationships it has with the Manager and confirmed to the Board that in its opinion it is independent of the Manager. The Audit Committee has reviewed the independence and objectivity of the external auditor and has reviewed the non-audit services provided by the external auditor for the financial year ended 31 December 2012 which comprised the provision of taxation and accounting advice at a cost of £35,460, as detailed in Note 5 to the accounts.

The appointment of KPMG has not been put out to tender notwithstanding KPMG's tenure of 17 years, as the Audit Committee, from direct observation and indirect enquiry of the Manager, remain satisfied that KPMG continue to provide a high quality audit and effective independent challenge in carrying out their responsibilities. Following professional guidelines, the partner rotates after five years and this is the first year for the current partner.

Having considered these matters and the effectiveness of the external auditor, the Audit Committee has recommended to the Board that, subject to shareholder approval at the 2013 AGM, KPMG be reappointed as external auditor for the forthcoming year.

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. The Board monitors and evaluates other service providers.

Review of Internal Controls

The UK Corporate Governance 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 January 2012 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. These risks are detailed in Note 20. 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.

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 Committee.

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 Committee has been informed by the Manager that these policies meet the industry standards.

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 18 to 21. 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. They can be contacted through the Company Secretary. The section entitled "Information for Investors", on pages 51 to 52, provides an overview of useful information available to shareholders.

The Company's website is www.dunedinenterprise.com. The Manager's presentation to shareholders will be available on the website after the AGM.

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group 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 complies with that law and those regulations.

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

Under the Disclosure and Transparency Rules the Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

David Gamble
Chairman
19 March 2013

Directors' Remuneration Report

The determination of the Directors' fees is a matter dealt with by the whole Board in lieu of a designated Remuneration Committee. The level of fees payable to 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

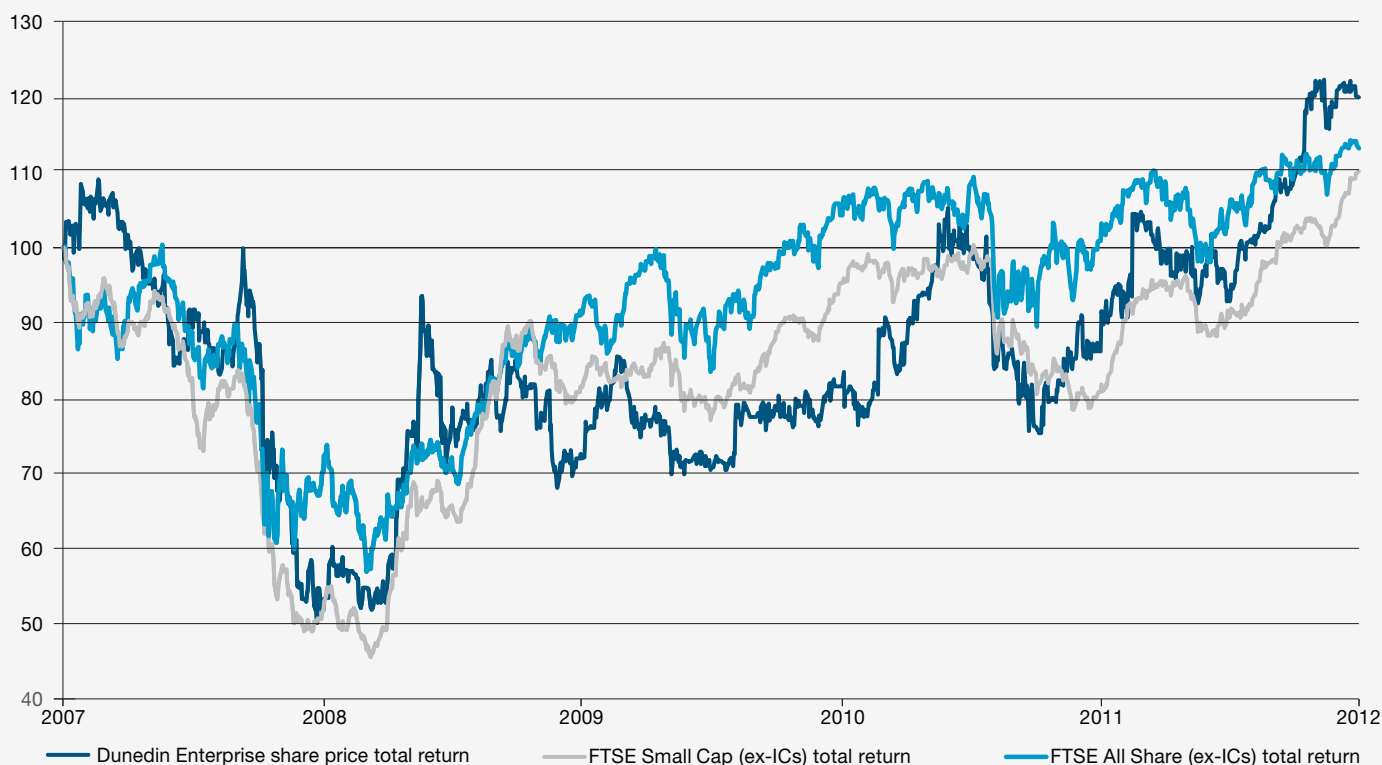
Directors in the industry generally, the role that individual Directors fulfil, and the time committed to the Company's affairs.

It is not the Company's policy to include an element of performance related pay. Each Director has a letter of appointment setting out the terms and conditions of their appointment and such letters are available for inspection. Each Director's appointment may be terminated by the Company on three months' notice. No 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.

Share Price Total Return for the 5 years ended 31 December 2012



Directors' Remuneration (audited)

	2012 £'000	2011 £'000
David Gamble	36	26
Liz Airey	33	26
Duncan Budge (appointed on 2 April 2012)	17	–
Edward Dawnay (resigned on 18 May 2012)	23	34
Brian Finlayson	28	23
Federico Marescotti	28	23
Simon Miller (resigned on 16 May 2011)	–	10
	165	142

In recognition of the additional work carried out by the Board in relation to proposals put to shareholders in November 2011 an additional payment was made in 2012 of £10,000 to the Chairman and £5,000 to each of the other Directors.

The information in the table opposite has been audited.

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

The Company's independent auditors, KPMG, 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 27.

On behalf of the Board,

David Gamble
Chairman
19 March 2013

Independent Auditor's 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 31 December 2012 set out on pages 28 to 46. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 18, in relation to going concern;
- the part of the Corporate Governance Statement on pages 22 to 24 of the Report and Accounts relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board of Directors' Remunerations

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor

Chartered Accountants

Edinburgh

19 March 2013

Consolidated Income Statement

	Notes	Revenue £'000	Capital £'000	2012 Total £'000	Revenue £'000	Capital £'000	2011 Total £'000
Investment income	3	7,362	–	7,362	2,102	–	2,102
Gains/(losses) on investments	10	–	(3,788)	(3,788)	–	13,404	13,404
Total income		7,362	(3,788)	3,574	2,102	13,404	15,506
Expenses							
Investment management fee	4	(283)	(850)	(1,133)	(345)	(1,036)	(1,381)
VAT on investment management fee	4	–	–	–	185	556	741
Other expenses	5	(696)	–	(696)	(677)	(111)	(788)
Profit before finance costs and tax		6,383	(4,638)	1,745	1,265	12,813	14,078
Finance costs	6	(109)	(327)	(436)	(38)	(114)	(152)
Profit before tax		6,274	(4,965)	1,309	1,227	12,699	13,926
Taxation	7	(473)	528	55	80	195	275
Profit for the year		5,801	(4,437)	1,364	1,307	12,894	14,201
Basic return per ordinary share (basic & diluted)	9	20.8p	(15.9)p	4.9p	4.3p	42.8p	47.1p

The total column of this statement represents the Income Statement of the Group, prepared in accordance with International Financial Reporting Standards as adopted by the EU. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity shareholders of Dunedin Enterprise Investment Trust PLC.

The notes on pages 35 to 46 form part of the financial statements.

Consolidated Balance Sheet

	Notes	£'000	2012 £'000	£'000	2011 £'000
Non-current assets					
Investments at fair value through profit or loss	10		109,578		148,167
Current assets					
Other receivables	11	1,301		359	
Cash and cash equivalents		26,605		14,961	
		27,906		15,320	
Current liabilities					
Other liabilities	12	(231)		(428)	
Current tax liabilities	12	(55)		(103)	
		(286)		(531)	
Net current assets			27,620		14,789
Net assets			137,198		162,956
Capital and reserves					
Share capital	13		6,438		7,530
Share premium	14		–		47,600
Capital redemption reserve	14		1,488		396
Capital reserve – realised	14		81,915		91,112
Capital reserve – unrealised	14		(6,717)		9,952
Special distributable reserve	14		47,600		–
Revenue reserve	14		6,474		6,366
Total equity shareholders' funds			137,198		162,956
Net asset value per share (basic & diluted)	15		532.7p		541.0p

The financial statements were approved by the Board of Directors on 19 March 2013

David Gamble, Chairman

The notes on pages 35 to 46 form part of the financial statements.

Company Balance Sheet

	Notes	£'000	2012 £'000	£'000	2011 £'000
Non-current assets					
Investments at fair value through profit or loss	10	78,193		123,136	
Subsidiary undertakings	21	31,306		29,957	
			109,499		153,093
Current assets					
Other receivables	11	1,404		235	
Cash and cash equivalents		26,520		14,535	
		27,924		14,770	
Current liabilities					
Other liabilities	12	(225)		(4,907)	
		(225)		(4,907)	
Net current assets			27,699		9,863
Net assets			137,198		162,956
Capital and reserves					
Share capital	13		6,438		7,530
Share premium	14		–		47,600
Capital redemption reserve	14		1,488		396
Capital reserve – realised	14		83,932		92,316
Capital reserve – unrealised	14		(9,521)		8,168
Special distributable reserve	14		47,600		–
Revenue reserve	14		7,261		6,946
Total equity shareholders' funds			137,198		162,956

The financial statements were approved by the Board of Directors on 19 March 2013.

David Gamble, Chairman

The notes on pages 35 to 46 form part of the financial statements.

Consolidated Cash Flow Statement

	Notes	£'000	2012 £'000	£'000	2011 £'000
Net cash inflow/(outflow) from operating activities	16		4,393		(5,286)
Servicing of finance					
Finance costs			(436)		(152)
Investing activities					
Purchase of investments		(19,303)		(17,197)	
Purchase of 'AAA' rated money market funds		(18,412)		(22,398)	
Sale of investments		53,135		18,367	
Sale of 'AAA' rated money market funds		19,586		38,778	
Net cash inflow from financial investment			35,006		17,550
Taxation					
Tax recovered			8		–
Financing activities					
Purchase of ordinary shares		(21,429)		(181)	
Dividends paid		(5,693)		(1,147)	
			(27,122)		(1,328)
Effect of exchange rate fluctuations on cash held			(205)		–
Net increase in cash and cash equivalents			11,644		10,784
Cash and cash equivalents at start of the year			14,961		4,177
Net increase in cash and cash equivalents			11,644		10,784
Cash and cash equivalents at end of the year			26,605		14,961

The notes on pages 35 to 46 form part of the financial statements.

Company Cash Flow Statement

	Notes	£'000	2012 £'000	£'000	2011 £'000
Net cash inflow/(outflow) from operating activities	16		285		(256)
Servicing of finance					
Finance costs			(436)		(152)
Investing activities					
Purchase of investments		(11,527)		(9,891)	
Subsidiary investment		(7,079)		(6,332)	
Purchase of 'AAA' rated money market funds		(18,412)		(22,398)	
Sale of investments		49,379		12,056	
Subsidiary sale		7,486		–	
Sale of 'AAA' rated money market funds		19,586		38,778	
Net cash inflow from financial investment			39,433		12,213
Taxation					
Tax recovered			8		–
Financing activities					
Purchase of ordinary shares		(21,429)		(181)	
Dividends paid		(5,693)		(1,147)	
			(27,122)		(1,328)
Effect of exchange rate fluctuations on cash held			(183)		–
Net increase in cash and cash equivalents			11,985		10,477
Cash and cash equivalents at start of the year			14,535		4,058
Net increase in cash and cash equivalents			11,985		10,477
Cash and cash equivalents at end of the year			26,520		14,535

The notes on pages 35 to 46 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
For the year ended 31 December 2012									
At 31 December 2011	7,530	47,600	396	91,112	9,952	–	6,366	107,430	162,956
Profit/(loss) for the year	–	–	–	12,232	(16,669)	–	5,801	1,364	1,364
Cancellation of share premium account	–	(47,600)	–	–	–	47,600	–	47,600	–
Purchase and cancellation of shares	(1,092)	–	1,092	(21,429)	–	–	–	(21,429)	(21,429)
Dividends paid	–	–	–	–	–	–	(5,693)	(5,693)	(5,693)
At 31 December 2012	6,438	–	1,488	81,915	(6,717)	47,600	6,474	129,272	137,198

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
For the year ended 31 December 2011								
At 31 December 2010	7,544	47,600	382	96,460	(8,109)	6,206	94,557	150,083
Profit/(loss) for the year	–	–	–	(5,167)	18,061	1,307	14,201	14,201
Purchase and cancellation of shares	(14)	–	14	(181)	–	–	(181)	(181)
Dividends paid	–	–	–	–	–	(1,147)	(1,147)	(1,147)
At 31 December 2011	7,530	47,600	396	91,112	9,952	6,366	107,430	162,956

The notes on pages 35 to 46 form part of the financial statements.

Company Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
For the year ended 31 December 2012									
At 31 December 2011	7,530	47,600	396	92,316	8,168	–	6,946	107,430	162,956
Profit/(loss) for the year	–	–	–	13,045	(17,689)	–	6,008	1,364	1,364
Cancellation of share premium account	–	(47,600)	–	–	–	47,600	–	47,600	–
Purchase and cancellation of shares	(1,092)	–	1,092	(21,429)	–	–	–	(21,429)	(21,429)
Dividends paid	–	–	–	–	–	–	(5,693)	(5,693)	(5,693)
At 31 December 2012	6,438	–	1,488	83,932	(9,521)	47,600	7,261	129,272	137,198

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
For the year ended 31 December 2011								
At 31 December 2010	7,544	47,600	382	96,906	(8,885)	6,536	94,557	150,083
Profit/(loss) for the year	–	–	–	(4,409)	17,053	1,557	14,201	14,201
Purchase and cancellation of shares	(14)	–	14	(181)	–	–	(181)	(181)
Dividends paid	–	–	–	–	–	(1,147)	(1,147)	(1,147)
At 31 December 2011	7,530	47,600	396	92,316	8,168	6,946	107,430	162,956

The notes on pages 35 to 46 form part of the financial statements.

Notes to the Accounts

1. Basis of Preparation

Dunedin Enterprise Investment Trust PLC (the “Company”) is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

The principal accounting policies adopted by the Group and Company are set out below. The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its income statement and related notes.

Where presentation guidance set out in the Statement of Recommended Practice (SORP) for investment trusts issued by the Association of Investment Companies in January 2009 is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant estimate is the valuation of unlisted investments which is described in note 2(g) below.

2. Accounting Policies

a. Subsidiary undertakings

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Subsidiaries are valued at fair value.

b. Associated Undertakings

The Group holds a number of investments in entities over which it has significant influence which meet the definition of associates in IAS28 Investment in Associates. The Company has taken advantage of the exemption from applying IAS28 as these investments are held as part of the Group's portfolio with a view to the ultimate realisation of capital gains. These investments are accounted for at fair value through profit and loss.

c. Revenue/capital

The revenue column of the income statement includes all income and expenses except for the realised and unrealised profit and loss on investments and the proportion of management fee and finance costs charged to capital which are included in the capital column.

d. Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is applicable are brought into account when the Group's right to receive payment is established. Interest income is accounted for on an effective yield basis except where there is uncertainty as to whether the interest will be received.

e. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue column within the Income Statement except that:

- expenses which are incidental to the acquisition or disposal of an investment are charged to the capital column 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 Group.

f. Standards, interpretations and amendments to published standards that are not yet effective and the early adoption of standards.

The Group has not early adopted any standards or interpretations during 2012.

The following new standards, amendments to standards or interpretations that are relevant to the Group have been issued and have been endorsed by the EU but are not effective for financial years beginning 1 January 2012:

- Amendment to IAS 1, Presentation of financial statements, on other comprehensive income (OCI)
- Amendment to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

2. Accounting Policies continued

- (iii) IFRS 10, Consolidated financial statements
- (iv) IFRS 11, Joint arrangements
- (v) IFRS 12, Disclosures of interests in other entities
- (vi) IFRS 13, Fair value measurement
- (viii) IAS 27, Separate financial statements
- (ix) IAS 28, Investments in associates and joint ventures
- (x) Amendment to IAS 32, Financial Instruments: Presentation on offsetting financial assets and financial liabilities

The following new standards, amendments to standards or interpretations that are relevant to the Group have been issued but are not effective for financial years beginning 1 January 2012 and have not been endorsed by the EU:

- (i) IFRS 9, Financial instruments

g. Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks. These are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

h. Valuation of investments

Purchases and sales of investments are recognised at the date of transaction. The Group'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 unless this is not considered to be an accurate representation of fair value. Unquoted investments are fair valued by the Directors in accordance with the following rules, which are consistent with the International Private Equity and Venture Capital Valuation Guidelines:

- 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 below. Generally the earnings multiple basis of valuation will be used.
- When valuing on an earnings basis, the maintainable earnings of a company are multiplied by an appropriate multiple.
- An investment may be valued by reference to the value of its net assets. This is appropriate for businesses whose value derives mainly from the underlying value of its assets rather than its earnings.
- 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.

- Accrued interest on loans to portfolio companies is included in valuations where there is an expectation that the interest will be received.

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.

Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full on the balance sheet date.

i. 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 Group's tax liability.

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

Due to the Company's status as an investment company, and its intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or on disposal of investments.

j. Dividend

Dividends payable are recognised as a distribution and recorded in the Statement of Changes in Equity when they become a liability of the Group.

k. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

l. Segmental analysis

The Group has one reportable segment being investing in a portfolio of private equity funds or companies.

3. Income

	Group 2012 £'000	Group 2011 £'000
Dividend income – UK	721	638
Interest income – UK	2,403	423
Limited partnership income – UK	3,977	277
'AAA' rated money market funds	80	181
	7,181	1,519
Interest on VAT refund	–	563
Arrangement fee	14	–
Deposit interest*	167	20
Total income	7,362	2,102

*income arising from financial assets that are not investments designated as fair value through profit or loss.

4. Investment management fee

	Revenue £'000	Capital £'000	Group 2012 Total £'000	Revenue £'000	Capital £'000	Group 2011 Total £'000
Investment management fee	283	850	1,133	345	1,036	1,381

Dunedin provides investment management and general administration services to the Company. The terms of the management fee arrangements are detailed on page 47.

5. Other expenses

Profit/(loss) on ordinary activities before taxation is shown after charging the following amounts:

	Group 2012 £'000	Group 2011 £'000
Directors fees	165	142
Administration expenses	464	468
Fees payable to the auditor:		
Fees payable to the Company's auditor for audit of Company's annual accounts	21	21
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries pursuant to legislation	6	6
Audit related assurance services	5	5
Tax compliance services	28	18
Tax advisory services	7	17
	696	677

The Company does not directly employ any staff.

6. Finance costs

	Revenue £'000	Capital £'000	Group 2012 Total £'000	Revenue £'000	Capital £'000	Group 2011 Total £'000
On bank loans and overdraft:						
Repayable in less than 5 years	78	233	311	22	64	86
Banking facility arrangement fee	31	94	125	16	50	66
	109	327	436	38	114	152

The interest paid represents a fee on an undrawn facility.

7. Taxation on profit on ordinary activities

	Revenue £'000	Capital £'000	Group 2012 Total £'000	Revenue £'000	Capital £'000	Group 2011 Total £'000
(a) Analysis of charge/(credit) for the year:						
UK corporation tax at 24.5% (2011: 26.5%)	584	(528)	56	298	(195)	103
Foreign tax	–	–	–	27	–	27
Prior year adjustment	(111)	–	(111)	(405)	–	(405)
	473	(528)	(55)	(80)	(195)	(275)

The UK corporation tax rate was 26% until 31 March 2012 and 24% from 1 April 2012 giving an effective tax rate of 24.5% (2011 – effective tax rate of 26.5%). The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below.

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

	Group 2012 £'000	Group 2011 £'000
Total return on ordinary activities before tax	1,309	13,926
UK Corporation Tax at 24.5% (2011: 26.5%)	321	3,690
Effects of:		
Capital gains/(losses) not subject to corporation tax	928	(3,552)
Foreign tax	–	27
Dividends not subject to corporation tax	(177)	(169)
Non taxable partnership income and expenses	(690)	–
Prior year adjustment	(111)	(405)
Excess management expenses	(326)	134
	(55)	(275)

At 31 December 2012, the Company had net surplus management expenses of £2,949,000 (2011: £3,275,000) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future liabilities through the use of existing surplus expenses.

8. Dividends

Amounts recognised as distributions to equity holders in the year:

	Group 2012 £'000	Group 2011 £'000
Final dividend for the year ended 31 December 2010 – 3.8p paid 20 May 2011	–	1,147
Final dividend for the year ended 31 December 2011 – 5.0p paid 25 May 2012	1,355	–
Special dividend for the year ended 31 December 2012 – 16.0p paid 28 September 2012	4,338	–
	5,693	1,147

The final dividend has not been included as a liability in these financial statements. The total dividend paid and proposed in respect of the financial year, which is the basis upon which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered, is noted below.

	Group 2012 £'000	Group 2011 £'000
Final dividend for the year ended 31 December 2012 – 6.5p to be paid on 24 May 2013	1,674	–
Special dividend for the year ended 31 December 2012 – 16.0p paid 28 September 2012	4,338	–
Final dividend for the year ended 31 December 2011 – 5.0p paid on 25 May 2012	–	1,355
	6,012	1,355

9. Return per ordinary share

The returns per ordinary share are based on the following figures:

	Group 2012 £'000	Group 2011 £'000
Revenue return	5,801	1,307
Capital return	(4,437)	12,894
	1,364	14,201
Weighted average number of shares in issue	27,582,091	30,173,487

10. Investments

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses arise on investments designated at fair value through profit or loss. Given the nature of the Company's investments the fair value gains recognised in these financial statements are not considered to be readily convertible to cash in full at the balance sheet date and therefore the movement in these fair values are treated as unrealised.

The Company is a limited partner in Dunedin Buyout Fund I, Dunedin Buyout Fund II, Equity Harvest Fund and Dunedin Fund of Funds LP. The table below details Dunedin Enterprise's investment holdings by fund entity.

	Group 2012 £'000	Group 2011 £'000
Direct	21,616	55,889
Dunedin Buyout Fund LP	395	2,033
Dunedin Buyout Fund II LP	50,890	51,431
Equity Harvest Fund LP	4,453	10,503
Dunedin Fund of Funds LP	24,894	19,807
'AAA' rated money market funds	7,330	8,504
	109,578	148,167

On a look through basis Dunedin Enterprise's investments are detailed below.

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Unlisted UK investments	77,354	70,863	105,336	100,112
Unlisted European investments	24,894	–	19,807	–
Listed European investments	–	–	14,520	14,520
'AAA' rated money market funds	7,330	7,330	8,504	8,504
	109,578	78,193	148,167	123,136

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.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

10. Investments continued

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2012 £'000	2011 £'000
Level 1		
'AAA' rated money market funds	7,330	8,504
Level 2	–	–
Level 3		
Investments in listed European private equity	–	14,520
Unlisted investments	102,248	125,143
	109,578	148,167

IFRS 7 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis the Board believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

Group	Level 3 UK Unlisted £'000	Level 3 European Unlisted £'000	Level 3 European Listed £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2011	94,460	20,226	15,025	8,504	138,215
Unrealised appreciation/(depreciation)	10,876	(419)	(505)	–	9,952
Valuation at 31 December 2011	105,336	19,807	14,520	8,504	148,167
Purchases at cost	11,527	7,776	–	18,412	37,715
Sales – proceeds	(34,913)	(3,756)	(14,466)	(19,586)	(72,721)
Sales – realised gains/(losses) on sales	14,085	(440)	(559)	–	13,086
Increase/(decrease) in unrealised appreciation	(18,681)	1,507	505	–	(16,669)
Valuation at 31 December 2012	77,354	24,894	–	7,330	109,578
Book cost at 31 December 2012	85,159	23,806	–	7,330	116,295
Closing unrealised depreciation	(7,805)	1,088	–	–	(6,717)

Company	Level 3 UK Unlisted £'000	Level 3 European Listed £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2011	89,185	15,025	8,504	112,714
Unrealised appreciation/(depreciation)	10,927	(505)	–	10,422
Valuation at 31 December 2011	100,112	14,520	8,504	123,136
Purchases at cost	11,527	–	18,412	29,939
Sales – proceeds	(34,913)	(14,466)	(19,586)	(68,965)
Sales – realised losses on sales	14,085	(559)	–	13,526
Increase/(decrease) in unrealised appreciation	(19,948)	505	–	(19,443)
Valuation at 31 December 2012	70,863	–	7,330	78,193
Book cost at 31 December 2012	79,884	–	7,330	87,214
Closing unrealised depreciation	(9,021)	–	–	(9,021)

10. Investments continued

Group	UK Unlisted £'000	European Unlisted £'000	European Listed £'000	European Listed £'000	'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2010	90,974	14,289	15,249	15,025	24,884	160,421
Unrealised appreciation/(depreciation)	(2,049)	(1,760)	(3,686)	(614)	–	(8,109)
Valuation at 31 December 2010	88,925	12,529	11,563	14,411	24,884	152,312
Purchases at cost	9,944	7,217	–	–	22,398	39,559
Sales – proceeds	(5,349)	(1,825)	(11,193)	–	(33,778)	(57,145)
Sales – realised gains/(losses) on sales	(1,109)	545	(4,056)	–	–	(4,620)
Increase/(decrease) in unrealised appreciation	12,925	1,341	3,686	109	–	18,061
Valuation at 31 December 2011	105,336	19,807	–	14,520	8,504	148,167
Book cost at 31 December 2011	94,460	20,226	–	15,025	8,504	138,215
Closing unrealised depreciation	10,876	(419)	–	(505)	–	9,952

Company	Level 3 UK Unlisted £'000	Level 1 European Listed £'000	Level 3 European Listed £'000	Level 1 'AAA' rated money market funds £'000	Total £'000
Book cost at 31 December 2010	80,950	15,249	15,025	24,884	136,108
Unrealised appreciation/(depreciation)	(2,049)	(3,686)	(614)	–	(6,349)
Valuation at 31 December 2010	78,901	11,563	14,411	24,884	129,759
Purchases at cost	9,891	–	–	22,398	32,289
Sales – proceeds	(863)	(11,173)	–	(38,778)	(50,834)
Sales – realised losses on sales	(793)	(4,056)	–	–	(4,849)
Increase/(decrease) in unrealised appreciation	12,976	3,686	109	–	16,771
Valuation at 31 December 2011	100,112	–	14,520	8,504	123,136
Book cost at 31 December 2011	89,185	–	15,025	8,504	112,714
Closing unrealised depreciation	10,927	–	(505)	–	10,422

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Realised gains/(losses) based on cost	13,086	13,526	(4,620)	(4,305)
Unrealised appreciation/(depreciation) recognised in prior years	(11,873)	(12,516)	4,568	4,568
Increase/(decrease) in unrealised depreciation	1,213	1,010	(52)	263
Other movements	(4,796)	(5,173)	13,493	12,485
	(3,788)	(4,346)	13,404	12,699

Included within unlisted investments are investments valued at £76,502,329 (2011: £103,899,320) 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 2(b). These investments are listed below.

10. Investments continued

Significant interests

(a) At 31 December 2012, the Company held between 20% and 50% of the allotted share capital of the following companies:

Name	Country of incorporation or registration	% of equity held directly	% of equity held directly and through funds	Latest available accounts	Share capital & reserves £'000	Operating profit/(loss) for year £'000
CGI Group Holdings Limited	England	41.4	41.4	31.12.11	(1,049)	1,368
Dunedin Buyout Fund II LP	Scotland	29.7	29.7	31.12.11	n/a	n/a
Equity Harvest Fund LP	England	47.4	47.4	31.12.11	n/a	n/a
OSS Environmental Holdings Limited	England	40.2	40.2	31.12.11	2,333	1,288
Practice Plan Holdings Limited	England	22.9	26.2	30.6.12	345	2,617
Premier Hytemp Bidco Limited	Scotland	–	23.0	n/a	n/a	n/a
RSL Steeper Holdings Limited	England	24.4	40.0	29.2.12	5,548	648
Sycamore Topco Limited	England	–	32.7	31.3.12	(8)	(3,056)

(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
CitySprint (UK) Group Limited	England	–	11.9
Dunedin Buyout Fund LP	Scotland	13.0	13.0
Dunedin Buyout Fund III LP	Scotland	17.5	17.5
Dunedin Claret Limited	England	–	18.7
Formaplex Group Limited	England	–	17.7
Hawksford International Limited	Jersey	–	16.0
Weldex (International) Offshore Holdings Limited	Scotland	–	15.1

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.

11. Other receivables

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Prepayments and accrued income	1,301	1,301	359	235
Amounts due from subsidiary undertakings	–	103	–	–
	1,301	1,404	359	235

12. Creditors: amounts falling due within one year

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Accruals	231	225	428	421
Amounts due to subsidiary undertakings	–	–	–	4,486
Corporation Tax	55	–	103	–
	286	225	531	4,907

A revolving credit facility of £20m is available to the Company until 29 August 2013. The rate of interest on the revolving credit facility is 4% above LIBOR.

13. Called-up share capital

	Nominal No. '000	Group & Company 31 December 2012 £'000	Nominal No. '000	Group & Company 31 December 2011 £'000
Allotted, called-up and fully paid ordinary shares:				
At 1 January 2012	30,122	7,530	30,177	7,544
Repurchased during the year	(4,368)	(1,092)	(55)	(14)
At 31 December 2012	25,754	6,438	30,122	7,530

The capital of the Company is managed in accordance with its investment policy and objectives which are detailed in the business review on page 6.

The Company repurchased 4,367,745 ordinary shares in the year to 31 December 2012 (2011: 55,000) at a cost of £21,429,556 (2011: £180,785). The nominal value of these shares was £1,091,936 and represented 14.5% of the issued share capital. At 19 March 2013 no ordinary shares have been repurchased since 31 December 2012. The Directors exercise the power to make repurchases only where they believe a repurchase is in the interests of the members as a whole and will result in an increase in the net asset value per ordinary share. The Company does not hold any shares in treasury.

14. Reserves

Group	Share Capital £'000	Share premium account £'000	Capital redemption reserve* £'000	Special distributable reserve £'000	Capital reserve – realised* £'000	Capital reserve – unrealised* £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2011	7,530	47,600	396	–	91,112	9,952	6,366	107,430	162,956
Net revenue for the year	–	–	–	–	–	–	5,801	5,801	5,801
Purchase and cancellation of shares	(1,092)	–	1,092	–	(21,429)	–	–	(21,429)	(21,429)
Transfer on disposal of investments	–	–	–	–	11,873	(11,873)	–	–	–
Net gain/(loss) on realisation of investments	–	–	–	–	1,213	–	–	1,213	1,213
Revaluation movements	–	–	–	–	–	(4,796)	–	(4,796)	(4,796)
Management fees charged to capital	–	–	–	–	(850)	–	–	(850)	(850)
Finance costs charged to capital	–	–	–	–	(327)	–	–	(327)	(327)
Dividends paid	–	–	–	–	–	–	(5,693)	(5,693)	(5,693)
Tax effect of capital items	–	–	–	–	528	–	–	528	528
Cancellation of share premium account	–	(47,600)	–	47,600	–	–	–	47,600	–
Other movements	–	–	–	–	(205)	–	–	(205)	(205)
At 31 December 2012	6,438	–	1,488	47,600	81,915	(6,717)	6,474	129,272	137,198

Company	Share Capital £'000	Share premium account £'000	Capital redemption reserve* £'000	Special distributable reserve £'000	Capital reserve – realised* £'000	Capital reserve – unrealised* £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2011	7,530	47,600	396	–	92,316	8,168	6,946	107,430	162,956
Net revenue for the year	–	–	–	–	–	–	6,008	6,008	6,008
Purchase and cancellation of shares	(1,092)	–	1,092	–	(21,429)	–	–	(21,429)	(21,429)
Transfer on disposal of investments	–	–	–	–	12,516	(12,516)	–	–	–
Net gain/(loss) on realisation of investments	–	–	–	–	1,010	–	–	1,010	1,010
Revaluation movements	–	–	–	–	–	(5,173)	–	(5,173)	(5,173)
Management fees charged to capital	–	–	–	–	(499)	–	–	(499)	(499)
Finance costs charged to capital	–	–	–	–	(327)	–	–	(327)	(327)
Dividends paid	–	–	–	–	–	–	(5,693)	(5,693)	(5,693)
Tax effect of capital items	–	–	–	–	528	–	–	528	528
Cancellation of share premium account	–	(47,600)	–	47,600	–	–	–	47,600	–
Other movements	–	–	–	–	(183)	–	–	(183)	(183)
At 31 December 2012	6,438	–	1,488	47,600	83,932	(9,521)	7,261	129,272	137,198

* – these reserves are non-distributable

15. Net asset value per share

The net asset value per share is calculated on shareholders' funds of £137,198,082 (2011: £162,955,708) and on 25,754,635 ordinary shares in issue at the year end (2011: 30,122,380).

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

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Profit before tax	1,309	1,251	13,926	13,893
(Gain)/losses on investments	3,788	4,346	(13,404)	(12,814)
Interest paid	436	436	152	152
(Increase) in debtors	(942)	(1,066)	(118)	(132)
(Decrease) in creditors	(198)	(4,682)	(5,842)	(1,355)
Net cash inflow from operating activities	4,393	285	(5,286)	(256)

17. Capital commitments

There were outstanding capital commitments of £86.2m (2011: £60.3m) in respect of investments at the end of the year. This includes an outstanding commitment to Egeria Private Equity Fund III LP of £1.5m.

18. Contingent liabilities

There were no contingent liabilities at the year end (2011: £Nil).

19. Contingent assets

Discussions are ongoing with HMRC regarding the payment of interest on a compound basis relating to the reclaim of VAT on management fees. The amount and timing of any recovery remains uncertain and accordingly no amount has been provided for in the financial statements.

20. Financial instruments and associated risks

The Company's financial instruments comprise ordinary shares, fixed and floating interest rate investments, cash balances and liquid resources. The Company holds financial assets in accordance with its investment policy to invest in unquoted companies both directly and through specialist vehicles. Investments are valued at fair value. For quoted stocks this is at bid price unless this is not considered to be an accurate representation of fair value. In respect of unquoted investments, these are fair valued by the Directors using rules consistent with International Private Equity and Venture Capital Valuation Guidelines. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet.

The Company's investing activities expose it to types of risk that are associated with the financial instruments and the market in which it invests. The most important types of financial risk to which the Company is exposed are market risk, interest rate risk, credit risk, liquidity risk and currency risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

Market risk – 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. The portfolio is continually monitored to ensure an appropriate balance of risk and reward in order to achieve the Company's objective. Some of the risk can be mitigated by diversifying the portfolio across business sectors, asset classes and regions. Details of the Company's investment portfolio at the balance sheet date are disclosed in the schedule of investments on pages 10 to 15. The Company's overall market positions are monitored by the Manager on an ongoing basis and by the Board quarterly.

74.5% (2011: 76.8%) of the Company's net assets are in unquoted companies held at fair value. Valuation methodology includes the application of an appropriate multiple to maintainable earnings. A 5% increase in the valuations of unquoted investments at 31 December 2012 would have increased the net assets of the Company by £5.1m (2011: £6.3m).

Interest rate risk – some of the Company's financial assets are interest bearing, at both fixed and variable rates. As a result the Company is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The table below analyses the Company's financial assets and details the weighted average interest rate and life of fixed rate lending.

Financial Assets of the Company

31 December 2012	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Currency				
Sterling	66,541	33,935	10,813	111,289
Euro	17,036	–	7,858	24,894
Total	83,577	33,935	18,671	136,183

20. Financial instruments and associated risks continued

31 December 2011	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Currency				
Sterling	84,760	16,062	20,576	121,398
Euro	13,603	7,402	20,725	41,730
Total	98,363	23,464	41,301	163,128

The fixed rate assets comprise fixed rate lendings to investee companies. Fixed rate lendings have a weighted average interest rate of 9% per annum (2011: 9%) and a weighted average life to maturity of 4.0 years (2011: 4.1 years). The floating rate assets consist of cash and "AAA" rated cash OEIC's. The nil interest rate bearing assets represent the equity content of the investment portfolio. Interest rate risk is managed on an ongoing basis by the Manager and on a quarterly basis by the Board.

Due to the relatively short period to maturity of the fixed rate investments held within the portfolio, it is considered that an increase or decrease of 25 basis points in interest rates as at the reporting date would not have had a significant effect on the Group's net assets or total return for the period.

Credit risk – credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The portfolio consists of the following financial instruments:

	2012 £'000	2011 £'000
Unquoted investments	102,248	125,143
Quoted investments	–	14,520
AAA rated cash OEICs	7,330	8,504
Cash deposits	26,605	14,961
Total	136,183	163,128

Investment in unquoted companies either directly, via Dunedin managed funds or via third party managed funds (both limited partnership funds and quoted stocks) is by its nature subject to potential credit losses. The Company's exposure to any one entity is carefully monitored. The Company complies with the Section 1158 of the Corporation Tax Act 2010 requirement for investment trusts not to invest more than 15% of the portfolio in the securities of any one company at the time of initial or subsequent investment. The unquoted investment portfolio is further diversified by asset class, sector and region. Liquid assets (cash deposits and AAA rated cash OEIC's) are divided between a number of different financial institutions, each of whose credit rating is assessed. Credit risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

Liquidity risk – the Company has significant investments in unquoted companies which are inherently illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these companies at an amount close to its fair value in order to meet its liquidity requirements. The Company manages its liquid investments to ensure sufficient cash is available to meet contractual commitments and also seeks to have cash or readily convertible investments available to meet other short term financial needs. Liquidity risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

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 movement's in foreign currency exchange rates. Currency risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

The risks faced by the Group and the Company are not considered to be materially different.

21. Subsidiary undertakings

Name of Subsidiary	Dunedin Enterprise Limited
% of Equity invested	100%
Type of entity	Limited Company
Activity	Private equity investment
Name of Subsidiary	Dunedin Fund of Funds LP
% of Equity invested	100%
Type of entity	Limited Partnership
Activity	Private equity investment
Name of Subsidiary	Dunedin Co-Investment Fund LP
% of Equity invested	99%
Type of entity	Limited Partnership
Activity	Private equity investment

	Dunedin Fund of Funds LP £'000	Dunedin Enterprise Limited £'000	Dunedin Co-Investment LP £'000	Total £'000
Valuation at 31 December 2011	20,349	9,607	1	29,957
Net capital movements	4,080	(4,486)	–	(406)
Valuation movements	543	1,212	–	1,755
Valuation at 31 December 2012	24,972	6,333	1	31,306

22. Related party transactions

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. The Company has borne a management fee of £0.9m (2011: £1.2m) in respect of these limited partnerships. The total investment management fee payable by the Company to the Manager is therefore £2.0m (2011: £2.6m).

A Manager's Incentive Scheme ("the Scheme") was introduced from 1 May 1999. Under the terms of the Scheme qualifying directors and investment executives of Dunedin are entitled to purchase 7.5% of the equity shares (and, occasionally, other financial instruments) in each of the directly held investments subscribed for by the Company. This scheme has now been replaced by the arrangements noted below.

Since the Company began investing in Dunedin Buyout Funds ("the Funds") executives of the Managers have been entitled to participate in a carried interest scheme via the Funds. Performance conditions are applied whereby any gains achieved through the carried interest scheme associated with the Funds are conditional upon a certain minimum return having been generated for the limited partner investors. Additionally, within Dunedin Buyout Fund II LP the economic interest of the Manager is aligned with that of the limited partner investors by co-investing in this fund.

Brian Finlayson has an interest in the Manager's Incentive Scheme and received £7,415 from that scheme during 2012. Brian Finlayson was previously employed by the Manager and retired in 2002. As at 31 December 2012 the remaining value in the Manager's Incentive Scheme attributable to Brian Finlayson is £2,237.

Management Fees

The terms of the management fees are:-

Vehicle	Fee
Fund of Funds Limited Partnership	1.5 per cent on the value of investments plus 0.5 per cent on undrawn commitments to third party funds
Co-investment Limited Partnership	1.5 per cent on the value of investments
Direct investments in individual companies	1.5 per cent on the value of investments
Dunedin Managed Funds	Same fees as paid by third party investors in such Funds
Third party managed funds	1.5 per cent on value of investments
Listed private equity funds	1.5 per cent on the value of investments
Cash	0.5 per cent on cash balances not committed to funds through the Dunedin Fund of Funds LP

The notice period on the contract is 18 months. The 18 month notice period reflects the long-term nature of the private equity asset class and the detailed involvement of the Manager in investee companies which therefore requires greater continuity.

Management Performance Fee ("performance fee")

In November 2012 Shareholders approved a new performance fee. Under the terms of the performance fee the Manager is incentivised to achieve a realisation of investments held in the Fund of Funds Limited Partnership which contains the investment in European Funds. The performance fee is based upon realisations achieved up to 31 December 2014 and is up to a maximum of 1.5% of Aggregate Gross Proceeds received from the realisation of the investments plus the associated undrawn original commitments from which the Company is released. The level of the performance fee payable is dependent upon the timing of the realisations and how the value realised compares to the most recent valuation undertaken by the third party manager.

Notice of Annual General Meeting

Notice is hereby given that the thirty eighth Annual General Meeting of the shareholders of Dunedin Enterprise Investment Trust PLC will be held at 11.00 am on 17 May 2013 at The Sheraton Hotel, 1 Festival Square, Edinburgh EH3 9SR for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 to 12 will be proposed as special resolutions.

Ordinary Business

1. To receive and adopt the report of the Directors and auditors and the audited accounts for the year ended 31 December 2012.
2. To declare a dividend for the year ended 31 December 2012.
3. To consider, and if thought fit, to approve the Directors' Remuneration Report for the year ended 31 December 2012.
4. To re-elect David Gamble as a Director.
5. To re-elect Federico Marescotti as a Director.
6. To re-appoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the Directors to fix the remuneration of the auditors.
7. In substitution of any existing authority of the Directors, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act") to allot equity securities (as defined in Section 560 of the Act) up to a maximum nominal amount of £2,146,219 (being one third of the issued share capital of the Company at the date of the notice of this Annual General Meeting) provided that the authority hereby given shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may at any time prior to the expiry of such authority make an offer or enter into an agreement which would or might require equity securities to be allotted after the expiry of such authority and the Directors may allot equity securities in pursuance of such an offer or agreement as if such authority had not expired.
8. That, in substitution for any existing power under Section 570 of the Companies Act 2006 (the "Act"), where they are generally authorised pursuant to the authority conferred upon them to allot equity securities (as defined in Section 560 of the Act) by resolution 7, the Directors be and they are hereby empowered, pursuant to Section 570 of the Act, to allot equity securities for cash as if Section 561 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 £321,932 (representing 5% of the Company's issued share capital at the date of the notice of this Annual General Meeting);

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.

Special Business

9. The articles of association of the Company be amended by deleting the existing article 141 in its entirety and substituting therefore the following article 141:

"141. CAPITAL RESERVE"

The Directors shall establish a special reserve to be called the **Capital Reserve Fund**. All surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Directors to be in the nature of accretion to capital shall be credited to the Capital Reserve Fund. Subject to the provisions of the Statutes, the Directors may determine whether any amount received by the Company is to be dealt with as income or capital or partly one way and partly the other. Any loss realised on the realisation or payment off of or other dealing with any investment or other capital assets and, subject to the Statutes, any expenses, loss or liability (or provision therefor) which the Directors consider to relate to a capital item or which the Directors otherwise consider appropriate to be debited to the Capital Reserve Fund shall be carried to the debit of the Capital Reserve Fund. All sums carried and standing to the credit of the Capital Reserve Fund may be applied for any of the purposes to which sums standing to any revenue reserve are applicable."

10. That, in substitution for any existing authority, the Company be and it is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) 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 3,863,195;
 - (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.
11. That a general meeting other than an annual general meeting may be called at not less than 14 clear days notice.
12. That:
- (i) the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693 of the Act) of its ordinary shares of 25p each (the "Shares") pursuant to the tender offer (the "Tender Offer") on the terms set out in the circular to shareholders of the Company dated 16 April 2013 enclosed with the Company's Annual Report and Accounts 2012, provided that:
 - (a) the maximum number of Shares hereby authorised to be purchased shall be 2,631,575;
 - (b) the price which may be paid for a Share shall be 475p (which shall be both the maximum price and the minimum price for the purposes of section 701 of the Act); and
 - (c) unless renewed, the authority hereby conferred shall expire on the earlier of (1) the completion of the Tender Offer or (2) the anniversary of one year from the date of passing of this resolution;
 - (ii) the Company's authority to make market purchases of its Shares (within the meaning of section 693 of the Act) pursuant to resolution 10 as may be approved by shareholders at this Annual General Meeting of the Company shall continue in effect and shall not be affected by the passing of this resolution nor shall any part of that authority be utilised in connection with the Tender Offer.

By Order of the Board

Dunedin LLP

Secretary
8 April 2013

Registered Office:
Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN

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. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. Proxy forms must be lodged not less than 48 hours before the meeting with the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. 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 regulation 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 6.00pm on 15 May 2013. 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.
7. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

9. As at 5 April 2013 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consists of 25,754,635 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 5 April 2013 are 25,754,635.
10. Pursuant to section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member attending the AGM relating to the business being considered, except if a response would not be in the interest of the Company or for the good order of the meeting or if to do so would involve the disclosure of confidential information. The Company may however elect to provide an answer to a question, within a reasonable period of days after the conclusion of the AGM.
11. In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.dunedinenterprise.com.
12. Shareholders may require the Company to place on its website a statement, made available also to the Company's auditors, setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which shareholders intend to raise at the Annual General Meeting. The Company becomes required to place such a statement on the website once a) members with at least 5% of the total voting rights of the Company or b) at least 100 members who are entitled to vote and on whose shares an average sum per member of at least £100 has been paid have submitted such a request to the Company. Members seeking to do this should write to the Company providing their full name and address.
13. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006 (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
14. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
15. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11.00 am on 15 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
16. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST manual can be viewed at www.euroclear.com/CREST.
17. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk where full instructions on the procedure are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and then clicking on the link to vote under their Dunedin Enterprise Investment Trust PLC holding details. The on screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11.00am on 15 May 2013.
18. Under section 338 of the Companies Act 2006, a members or members meeting the qualification criteria set out at note 12, may, subject to conditions, require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (i) The resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (ii) The resolution must not be defamatory of any person, frivolous or vexatious; (iii) The resolution must be received by the Company not later than 6 weeks before the Annual General Meeting and (iii) Members seeking to do this should write to the Company providing their full name and address.
19. Under section 338A of the Companies Act 2006, a members or members meeting the qualification criteria set out at note 12, may, subject to conditions, require the Company to include in the business to be dealt with at the Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The conditions are that: (i) The matter of business must not be defamatory of any person, frivolous or vexatious; (ii) The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported; (iii) Must be accompanied by a statement setting out the grounds for the request; (iv) Must be authenticated by the person or persons making it (see note 12); and (v) Must be received by the Company not later than 6 weeks before the Annual General Meeting.

Information for Investors

Dunedin Enterprise is managed by 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 Savings Limited products, should be directed to Dunedin at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN or info@dunedinenterprise.com.

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.dunedinenterprise.com or on the Alliance Trust Savings website www.alliancetrustsavings.co.uk or else 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 Savings products.

Details of the Alliance Trust Savings products are noted below:

Alliance Trust Savings – Individual Savings Account (ISA) is a low-cost, tax-efficient savings vehicle. Since 6 April 2012, the ISA subscription limit has been £11,280 for anyone eligible to invest, rising to £11,520 from 6 April 2013. The annual administration charge for an Alliance Trust Savings ISA is £40 plus VAT.

Alliance Trust Savings – Investment Dealing Account (IDA) offers a simple means of investing in Dunedin Enterprise. There is currently no annual charge for an IDA.

Investors may make regular monthly payments (minimum £50 per month) or invest occasional lump sums (minimum £50 in both the ISA and IDA). The charge for regular monthly payments is £1.50.

Investors may also make one-off investments by dealing online or by post/telephone. There is an online dealing charge of £12.50 and a postal/telephone dealing charge of £40 to buy and sell shares within an IDA/ISA.

Investors can transfer in shares to their IDA or ISA from other providers. They can also have their dividends re-invested and request to receive income from dividends to their bank account. Although we consider our IDA and ISA to be medium to long term investments, there is no restriction on how long an investor need invest and investors can choose to close their account by instructing Alliance Trust Savings 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.

For information relating to the above savings plans please contact:

Alliance Trust Savings Limited

PO Box 164
8 West Marketgait
Dundee
DD1 9YP
Telephone 01382 573737
Email contact@alliancetrust.co.uk

For information regarding a shareholding not held through a savings plan, please contact:

Registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: UK 0871 384 2440*;
International +44 121 415 7047
Textel/hard of hearing line: UK 0871 384 2255*;
International +44 121 415 7028
Website: www.shareview.co.uk

* calls to this/these numbers are charged at 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday.

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.
- If you are unsure as to the suitability of any particular investment or product, you should seek professional financial advice.
- You should remember that the amount of tax relief depends on your individual circumstances and that the beneficial tax treatment of ISAs may not continue in the future.
- Charges may be subject to change in the future.

Other Important Information:

The information contained on pages 51 to 52 has been issued by Alliance Trust Savings Limited, which is registered in Scotland No. SC 98767, registered office, PO Box 164, 8 West Marketgait, Dundee DD1 9YP. It is authorised and regulated by the Financial Services Authority whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS firm reference number 116115. It gives no financial or investment advice.

The Company is managed by Dunedin and marketed by Alliance Trust Savings Limited which is authorised and regulated by the Financial Services Authority in the United Kingdom. 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.

Financial Calendar

Announcements, dividend payments and the issue of the annual and interim reports for the year ended 31 December 2012 and half year end 30 June 2013 can be expected in the months shown below:

March

Preliminary figures and final dividend for the year announced.

April

Report and accounts published.

May

Annual General Meeting held and payment of final dividend.

August

Interim report for half year to 30 June published.

Corporate Information

Directors

David Gamble, Chairman
Liz Airey
Duncan Budge
Brian Finlayson
Federico Marescotti

Website

www.dunedinenterprise.com
Email info@dunedinenterprise.com

Manager, Secretary & Registered Office

Dunedin LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN
Tel 0131 225 6699
Fax 0131 718 2300
Email info@dunedin.com
Website www.dunedin.com
Registered No. 52844 Scotland

Registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel 0871 384 2440

Bankers

Lloyds TSB Bank plc

Solicitors

Dundas & Wilson CS LLP

Auditors

KPMG Audit Plc

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Telephone +44 (0)131 225 6699
Facsimile +44 (0)131 718 2300

www.dunedinenterprise.com

