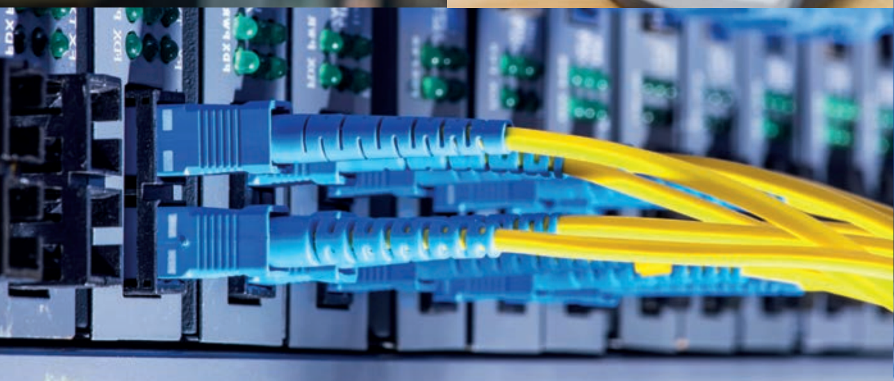
Dunedin








Dunedin Enterprise Investment Trust PLC

Annual Report & Accounts 2018

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 conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to shareholders.

Contents

References in this report and accounts to 'Dunedin Enterprise' or to 'the Company' or the 'Trust' mean Dunedin Enterprise Investment Trust PLC
References to 'Dunedin' or to 'the Manager' or to the 'Investment Manager' mean Dunedin LLP

Financial Highlights

Year to 31 December 2018

Net asset value total return per ordinary share

6.4%

23.9% 2017

Share price total return per ordinary share

9.4%

74.8% 2017

Dividend per ordinary share

2.0p

19.0p 2017

Ongoing charges

1.5%

1.9% 2017

At 31 December 2018

Net asset value per ordinary share

412.9p *1

489.2p 2017

Share price

328p

396.5p 2017

Discount

20.6%

18.9% 2017

Returned to shareholders from 2012

£109.0m *2

*1 – after return of capital of 100p per share
*2 – in 2011 the investment policy of the Company was changed and distribution policy introduced

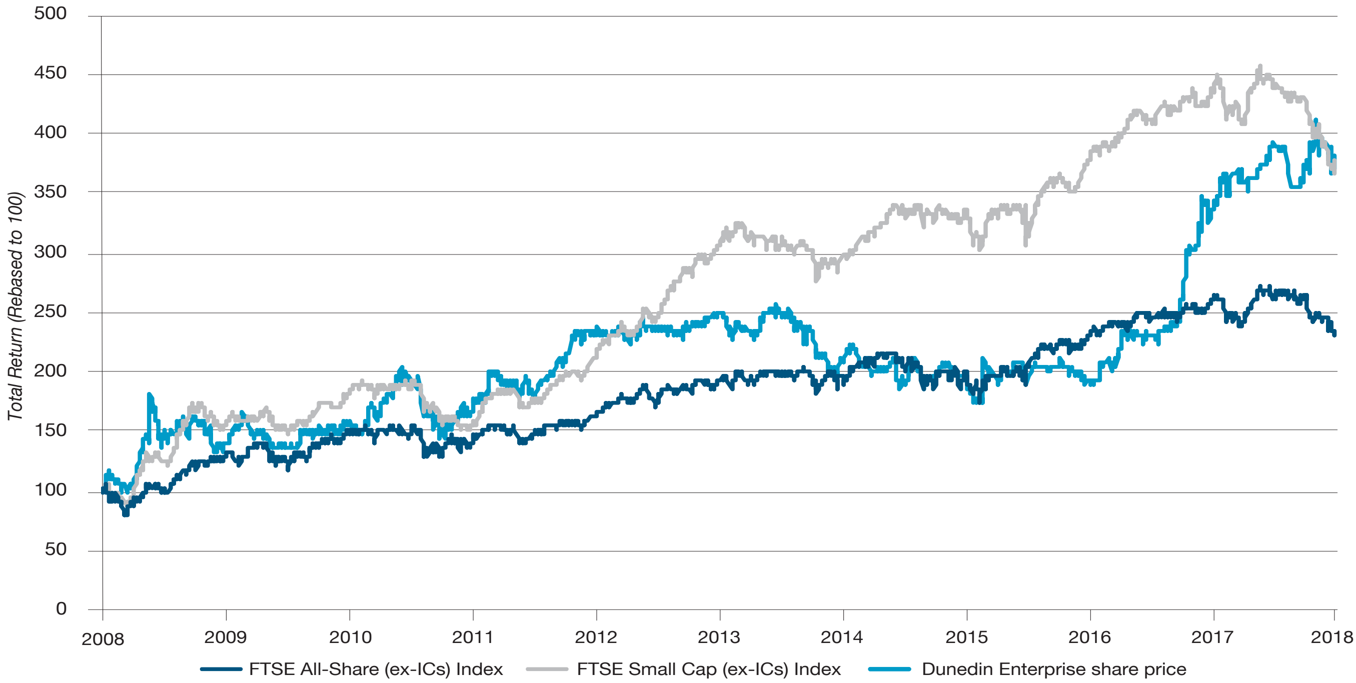
Comparative Total Return Peformance

	One year to December 2018 %	Three years to December 2018 %	Five years to December 2018 %	Ten years to December 2018 %
Net asset value per ordinary share	6.4	35.3	34.6	85.1
Share price	9.4	91.4	49.0	270.5
FTSE Small Cap Index ("the Benchmark")	-13.8	12.2	23.3	278.1
FTSE All-Share Index	-9.8	18.9	21.0	135.8

Total Assets and Cash Returned to Shareholders

	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m
Analysis of total assets:							
Dunedin managed	76.5	75.1	84.0	93.1	81.5	57.2	64.8
European Funds	24.9	12.9	12.7	16.0	22.0	9.6	10.2
Other	2.2	1.2	0.8	0.4	0.4	1.5	6.1
Cash	33.9	27.9	9.9	0.6	1.1	32.9	5.7
Total assets	137.5	117.1	107.4	110.1	105.0	101.2	86.8
Cash returned to shareholders:							
Capital returned	21.1	18.0	5.2	0.7	–	20.6	20.6
Dividends paid	5.7	1.7	3.6	1.0	3.3	6.4	1.1
Return to shareholders	26.8	19.7	8.8	1.7	3.3	27.0	21.7
Cumulative return to shareholders	26.8	46.5	55.3	57.0	60.3	87.3	109.0

Ten year record



Chairman's Statement
Duncan Budge, Chairman

In the year to 31 December 2018 your Company's net asset value total return was 6.4%, generated from both valuation uplifts and realisations.

The relative share price performance was pleasing with a total return to shareholders of 9.4%. This was boosted by a return of capital to shareholders of 100p per share and the payment of a 5.5p dividend.

In terms of share price the Company has been one of the best performing investment trusts over the past two years.

The Company's net asset value per share decreased from 489.2p to 412.9p during the year after taking account of the return of capital and dividends. Since 2012, following a change of investment policy, a total of £109m has been returned to shareholders by way of capital and dividends.

The discount at which the shares trade was 20.6% at the end of the year, based on a net asset value per share of 412.9p and a share price of 328p.

Since the year end the share price has increased by a further 13.4% to 372p.

Realisations
In September 2018 there was a successful realisation of Pyroguard, the specialist fire resistant glass manufacturer. Total proceeds from the sale amounted to £9.3m, representing an uplift of £1.2m (15%) over the valuation of £8.1m at 31 December 2017. The investment delivered a return of 5.9x and an IRR of 35%.

In addition, deferred proceeds of £1.7m were received from Steeper and £0.6m from Trustmarque.

Two realisations were received from the European private equity fund, Realza: a £1.0m repayment of loan stock was received from Dolz, the automotive pump manufacturer; in January 2019 Litalsa, a provider of services for metal can and closure manufacturers, was realised generating proceeds of £3.9m, representing a return of 2.9x original cost and an IRR of 26%. At 31 December 2018 Litalsa has been valued at the realised proceeds received in January 2019.

Portfolio
Two new investments were made in the year by the Dunedin managed fund to which your Company has an outstanding commitment. In June 2018, £6.4m was invested in GPS, the global payments processor which supports a number of digital banks, challenger banks, fintechs and financial institutions. In November 2018 £3.0m was invested in Incremental, a Glasgow-headquartered, market-leading IT services business.

Overall the trading performance of the portfolio has been strong during the year. Unrealised valuation increases of £9.1m were partially offset by decreases of £4.3m. Valuation uplifts were achieved by FRA, RED, Kingsbridge and EV, all of which are trading well as a result of strong organic growth. The most significant valuation reduction in the year to 31 December 2018 was the decline of £1.9m in the value of the holding in Formaplex.

Commitments & Liquidity
At the year end the Company had outstanding commitments to limited partnership funds of £19.4m, which consisted of £18.8m to Dunedin managed funds and £0.6m to Realza, the remaining European fund. Assuming these funds are held to maturity, it is estimated that only some £11.5m of this total outstanding commitment will be drawn over the remaining life of the funds.

The investment periods of all funds to which the Company has made a commitment have now ended. In future the Company will only be required to meet drawdowns for follow-on investments, management fees and ongoing expenses during the remainder of the funds' life.

At 31 December 2018 the Company held cash balances of £5.7m. In addition we have a revolving credit facility with Lloyds Bank of £10m which was undrawn at 31 December 2018 and is available until 31 May 2019. The Board and the Manager keep the cash and commitment position under regular review. It is the Board's intention to extend the revolving credit facility by a further year but at a lower level of £5m.

B Share Scheme

Shareholders received two returns of capital via the B Share Scheme during the year, representing a total of £20.6m or 100p per share.

Following the realisation of Innova/5 in December 2017, £10.3m was returned in February 2018. This was achieved by the issue of 1 B share of 50p for every 1 ordinary share held. The B shares were immediately redeemed, and proceeds of £10.3m were distributed to shareholders on 16 February 2018.

Following the realisation of Pyroguard in September 2018, a further £10.3m was returned to shareholders in October 2018 by way of the issue of 1 B share of 50p for every 1 ordinary share held. The B shares were immediately redeemed, and proceeds of £10.3m were distributed to shareholders on 23 October 2018.

Dividends

It is proposed that a final dividend of 2.0p per share be paid on 16 May 2019. This will distribute to shareholders the net profit generated by the Company during 2018.

Outlook

There remains significant uncertainty regarding the final outcome of Brexit. While the Board does not expect there to be any significant impact from Brexit on the operations of the Company itself, each of our portfolio companies has developed plans to cater for a variety of outcomes which will be continually reviewed as the course of Brexit negotiations become clearer.

More generally, the Board welcomes the improvement in the trading performance of a number of portfolio companies and the returns which have been delivered for shareholders by the underlying investment performance of the portfolio and the returns of capital.

Duncan Budge
Chairman

18 March 2019

Board of Directors

Duncan Budge (63)

Status: Independent Non-Executive Director and Chairman of the Board, Nomination Committee and Management Engagement Committee

Length of service: Appointed a Director on 2 April 2012 and became Chairman on 14 May 2014.

Last re-elected to the Board: 10 May 2018

Experience: Duncan Budge was an Executive Director and Chief Operating Officer of RIT Capital Partners plc ("RIT") between 1995 and 2011. He was previously a director of J. Rothschild Capital Management Limited, a wholly owned subsidiary of RIT. He also spent six years with Lazard Brothers & Co. Ltd.

Committee membership: Audit Committee, Nomination Committee and Management Engagement Committee.

All other public company directorships: Artemis Alpha Trust plc (Chairman), Lowland Investment Company plc, Lazard World Trust Fund, Biopharma Credit plc and Menhaden Capital plc

Other directorships: Asset Value Investors Limited

Employment by the Manager: None

Other connections with Company or Manager: None

Shared Directorships with any other Company Directors: None

Shareholding in Company: 46,850 Shares

Brian Finlayson (71)

Status: Independent Non-Executive Director

Length of service: Appointed a Director on 1 January 2007

Last re-elected to the Board: 10 May 2018

Experience: Brian Finlayson was appointed to the Board on 1 January 2007 and has served as a Director for more than nine years. He has over thirty years of experience in both private equity and corporate finance. He worked with Dunedin Capital Partners Limited before retiring from the company in 2002. He has held numerous non-executive director positions in private equity backed businesses both whilst unlisted and subsequently on listing. Please refer to page 27 for the Board's assessment of Brian Finlayson's independence.

Committee membership: Audit Committee, Nomination Committee and Management Engagement Committee.

All other public company directorships: None

Other directorships: None

Employment by the Manager: None

Other connections with Company or Manager: Brian Finlayson held a small interest in the carried interest of Dunedin Buyout Fund LP as set out on page 63. The Dunedin Buyout Fund LP has now been liquidated.

Shared Directorships with any other Company Directors: None

Shareholding in Company: 148,052 Shares

Angela Lane (56)

Status: Independent Non-Executive Director, Chairman of the Audit Committee and Senior Independent Director

Length of service: Appointed a Director on 1 June 2015

Last re-elected to the Board: 10 May 2018

Experience: Angela Lane has worked as an independent director and adviser to a number of private companies and private equity firms. Previously Angela spent 18 years working in private equity at 3i after qualifying as an ACA at PwC. Angela has extensive experience of business and financial services, healthcare, travel and aviation, media, consumer goods and infrastructure.

Committee membership: Audit Committee, Nomination Committee and Management Engagement Committee

All other public company directorships: Pacific Horizon Investment Trust PLC

Other directorships: Huntswood CTC (Chairman), Astbury Marsden & Partners Limited

Employment by the Manager: None

Other connections with Company or Manager: None

Shared Directorships with any other Company Directors: None

Shareholding in Company: 17,473 Shares

Michael Meyer Jensen (38)

Status: Independent Non-Executive Director

Length of service: Appointed a Director on 11 May 2017

Last re-elected to the Board: 10 May 2018

Experience: Michael is employed by Lind Invest as an investment manager. Michael has experience of investing in private equity funds, including in listed private equity companies and the secondary market.

Committee membership: Audit Committee, Nomination Committee and Management Engagement Committee

All other public company directorships: None

Other directorships: None

Employment by the Manager: None

Other connections with Company or Manager: Lind Invest is an independent Danish investment group which currently holds an interest of 12.6% in the Company

Shared Directorships with any other Company Directors: None

Shareholding in Company: 4,900 Shares

The Manager

The Company is an Alternative Investment Fund (AIF) under the EU's Alternative Investment Fund Managers' Directive ("AIFMD"). Its Alternative Investment Fund Manager ("AIFM") is Dunedin LLP. Dunedin LLP became a full scope AIFM on 25 May 2016.

In addition to the Company, Dunedin manages three limited partnership funds and a European fund of funds. The Company committed £60m to Dunedin's most recent £306m fund, Dunedin Buyout Fund III LP in 2012, representing a 20% interest.

Dunedin provides equity finance for management buyouts and management buyins with a transaction size of £20m – £100m. It is an independent private equity house, owned by the partners, operating throughout the UK from offices in Edinburgh and London. It has an investment team comprising twelve investment professionals. Six of the partners have worked together for more than seventeen 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 particular expertise in the industrial, business services and financial services sectors, completing 61 portfolio follow-on acquisitions since 2011 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 many of 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 Conduct Authority.

Manager's Review

The total net asset total return to shareholders in the year to 31 December 2018 was 6.4%. This is stated after taking account of a final dividend for 2017 of 5.5p (paid in May 2018) and two B share redemptions equivalent in total to 100p (paid in February 2018 and October 2018).

The net asset value per share in the year to 31 December 2018 decreased from 489.2p to 412.9p.

The Company's net asset value decreased from £101.0m to £85.2m over the year. As detailed below this movement is stated following a dividend payment of £1.1m and capital of £20.6m returned to shareholders via the issue and redemption of B shares in February 2018 and October 2018.

	£m
Net asset value at 1 January 2018	**101.0**
Unrealised value increases	9.1
Unrealised value decreases	(4.3)
Realised gain over opening valuation	1.4
Net income and capital movements	(0.3)
Net asset value prior to shareholder distributions	106.9
Dividends paid to shareholders	(1.1)
B share redemption	(20.6)
Net asset value at 31 December 2018	**85.2**

Portfolio Composition

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

	Valuation at 1 January 2018 £'m	Additions in year £'m	Disposals in year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 31 December 2018[1] £'m
Dunedin managed	57.2	14.0	(11.3)	1.4	3.5	64.8
Third party managed	10.0	0.2	(1.0)	–	1.3	10.5
Investment portfolio	67.2	14.2	(12.3)	1.4	4.8	75.3
AAA rated money market funds	23.5	–	(21.4)	–	–	2.1
	90.7	**14.2**	**(33.7)**	**1.4**	**4.8**	**77.4**

[1] in addition the Company held net assets of £7.8m

New Investment Activity

In June 2018, the Company made an investment of £6.4m through Dunedin Buyout Fund III LP in GPS, the global payments processor which supports a number of digital banks, challenger banks, fintechs and financial institutions. GPS is a market leader in issuer processing, enabling next generation payment technology. It provides a single, global integrated platform, GPS Apex, that powers and enables functionality of next generation fintech payment companies. GPS employs circa 150 people based in London and Newcastle.

In December 2018, the Company invested £3.0m in Incremental through Dunedin Buyout Fund III LP. Incremental is a Glasgow-headquartered, market leading IT services business. It was formed following the acquisitions of First eBusiness Solutions in December 2016 and GAP Consulting in June 2018. The business helps its clients to design, implement and manage their IT infrastructure needs which include ERP, CRM, cyber security and digital applications. With a headcount of 135, Incremental has three main delivery sites in Glasgow, Inverurie and Northwich and sales offices in London and Manchester.

There were follow-on investments made in Formaplex (£1.5m), Hawksford (£1.1m), EV (£0.6m) and Premier Hytemp (£0.4m).

Realisations

In September 2018, Pyroguard, the specialist fire resistant glass manufacturer, was realised. Total proceeds from the sale amounted to £9.3m consisting of capital of £8.7m and income of £0.6m. The proceeds received represent an uplift of £1.2m when compared to the valuation of £8.1m at 31 December 2017. The original cost of the investment was £3.8m and over the life of the investment a total of £22.5m was received by Dunedin Enterprise representing a 5.9x return and an IRR of 35%.

Deferred proceeds of £1.7m were received from Steeper, the leading supplier of rehabilitation services including prosthetic, orthotic and electronic assistive devices and services. Further deferred proceeds of £0.6m were received from Trustmarque, the provider of software management services.

There was a £1.0m repayment of loan stock from within the Realza portfolio following a recapitalisation of Dolz, the automotive pump manufacturer.

Following the year end in January 2019 there was a further realisation from the Realza portfolio. Litalsa, the provider of printing and varnishing services for metal can and closure manufacturers, was realised generating proceeds of £3.9m which represent a return of 2.9x original cost and an IRR of 26%. At 31 December 2018 Litalsa has been valued at the realised proceeds received in January 2019.

Unrealised valuation uplifts

In the year to 31 December 2018 there were valuation uplifts generated from the following investments: FRA (£3.6m), RED (£2.2m), Kingsbridge (£1.3m) and EV (£0.6m).

FRA, the international forensic consultancy business, has continued to experience a strong demand for its services over the year, boosted by new client wins and an expansion in the scale of current client work. Over the course of 2018 maintainable EBITDA (maintainable EBITDA being EBITDA for the last twelve months adjusted for exceptional items) has increased by 19%. During 2018 FRA has opened new offices in New York, Dallas, Philadelphia, and Helsinki. Following the year end FRA undertook a refinancing of its bank debt resulting in £1.5m being returned to Dunedin Enterprise.

RED, the supplier of SAP software experts on both a contract and permanent basis, has again shown strong growth in its contracting division. The contracting division has performed well in the UK, Germany and the US markets, benefitting from an experienced and knowledgeable team of consultants. This has resulted in a 15% increase in maintainable EBITDA.

Kingsbridge, the provider of insurance services to contractors, has also continued to show strong organic growth. This has resulted from the company expanding and enhancing the product range, diversifying the distribution channels and building its market profile and reputation. As a result maintainable EBITDA increased by 16% in the year. Following the year end Kingsbridge undertook a refinancing of its bank debt resulting in £3.2m being returned to Dunedin Enterprise.

EV, the provider of high-performance cameras for the oil and gas industry, has shown a 25% increase in maintainable EBITDA. The company has benefitted from an increasing oil price during the course of the year.

The Realza portfolio showed an unrealised movement of £1.5m. The majority of this uplift was generated from an uplift in the valuation of Litalsa which was realised in January 2019, details of which are noted above.

Unrealised valuation reductions

The most significant valuation reduction in the year to 31 December 2018 was at Formaplex (£1.9m). The maintainable EBITDA has suffered in the year from a number of lost and delayed orders. This has in part been caused by the controversy surrounding diesel cars and their emission levels. Profits have also been impacted by the costs associated with the move to the new 120,000sqft Voyager Park facility.

Cash and commitments

The Company had outstanding commitments to limited partnership funds of £19.4m. The outstanding commitment position consisted of £18.8m to Dunedin managed funds and £0.6m to Realza, the one remaining European fund. Assuming these funds are held to maturity, it is estimated that only some £11.5m of this total outstanding commitment will be drawn over the remaining life of the funds.

The original investment periods of all funds to which the Company has made a commitment have now ended. In future the Company will only be required to meet drawdowns for follow-on investments, management fees and expenses during the remainder of the funds' life.

The Company has a revolving credit facility with Lloyds Bank of £10m which was undrawn at 31 December 2018 and is available until 31 May 2019. The Board and the Manager keep the cash and commitment position under regular review. It is the Board's intention to extend the revolving credit facility by a further year but at a lower level of £5m.

Brexit

Your Manager has a representative on the Board of each Dunedin managed portfolio company. Portfolio companies hold regular board meetings. The board of each portfolio company has assessed the impact of Brexit on their business and developed contingency plans to mitigate a variety of Brexit outcomes. These contingency plans will be kept under constant review as the outcome of the Brexit negotiations becomes clearer.

Valuations and Gearing

The average earnings multiple applied in the valuation of the Dunedin managed portfolio was 8.2x EBITDA (2017: 7.6x), or 9.4x EBITA (2017: 9.3x). These multiples continue to be applied to maintainable profits.

Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.7x EBITDA (2017: 3.1x) or 3.1x EBITA (2017: 3.7x).

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	41%
Between 1 and 2 x EBITDA	–%
Between 2 and 3 x EBITDA	11%
More than 3 x EBITDA	48%

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

Less than one year	11%
Between one and two years	7%
Between two and three years	9%
More than three years	73%

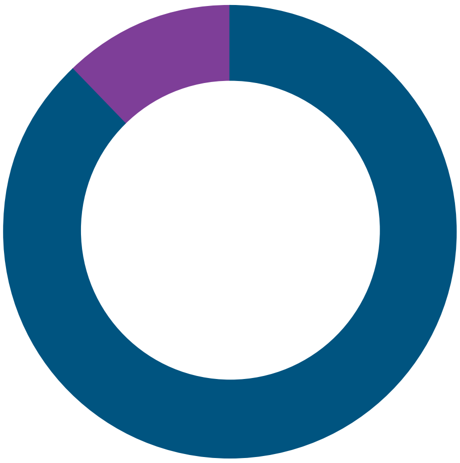
Fund Analysis

The chart below analyses the investment portfolio by investment fund vehicle.

Dunedin Buyout Fund II	**48%**
Dunedin Buyout Fund III	**36%**
Equity Harvest Fund	**3%**
Third Party managed	**13%**

Portfolio Analysis

Detailed below is an analysis of the investment portfolio by geographic location as at 31 December 2018.



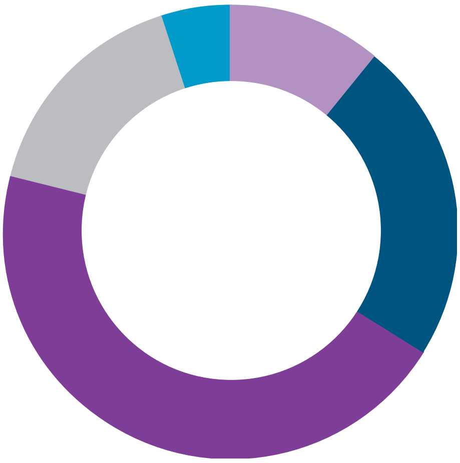
UK	**88%**
Rest of Europe	**12%**

Sector Analysis

The investment portfolio of the Company is broadly diversified. At 31 December 2018 the largest sector exposure of 49% remains to the diverse Support Services sector.

Automotive	4%
Consumer products & services	4%
Financial services	31%
Industrials	12%
Support services	49%

Valuation Method



Cost	11%
Earnings – provision	23%
Earnings – uplift	45%
Assets basis	16%
Exit value	5%

Year of Investment

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

<1 year	11%
1-3 years	26%
3-5 years	13%
>5 years	50%

Dunedin LLP
18 March 2019

Top ten investments (held via funds and direct investments)

Percentage of equity held	5.4%
Cost of Investment	£6.0m
Directors' valuation	£12.9m
Percentage of Dunedin Enterprise's net assets	15.1%

FRA

Business description

FRA is an international consultancy that provides forensic accounting, data analytics and e-discovery expertise, helping businesses respond to regulatory investigations in an increasingly regulated global environment.

FRA works on some of the largest and most complex regulatory investigations globally. Its clients are typically blue-chip multinational corporates seeking advice to help navigate regulatory scrutiny, effect compliant cross-border data transfer, and manage risk. The company has offices in London, Providence (Rhode Island), Paris, Dallas, New York, Helsinki and Washington DC. It also runs data centres near each office location as well as in Montreal and Zurich.

Investment rationale

FRA services a large and growing global market driven by increasing regulatory activity and scrutiny at an international level. Data volume and complexity is growing rapidly, benefiting FRA in terms of the quantity of data storage, analysis and cross-border data protection rules that must be navigated. FRA's strong organic growth is driven by exceptional client service, a strong reputation among regulators, law firms and corporates, long term engagements and growth in the team of forensic accountants, eDiscovery experts and data analysts.

Value Creation

Regarded as a leading authority in its niche, FRA is seeing demand for its services grow more and more as regulation and enforcement increase globally. The investigation projects are increasingly being supplemented with three-year monitorships of corporations subject to regulatory oversight. Strong relationships with the in-house legal counsel at corporate clients, and with referring law firms, opens up new business opportunities – which FRA is well placed to take advantage of, with its reputation for independence and integrity with regulatory bodies. The strategy is to develop FRA's international reach by recruiting talent into existing offices whilst opening new offices to access further talent pools or expand client relationships.

What has been achieved

The successful expansion of FRA was reliant on accelerating its recruitment drive for talented people around the world, particularly in the US. This was the only way the business would meet ever increasing client demand. Dunedin has helped by getting directly involved in the sourcing and selection process, and filling some of the company's most senior positions. These included a Chairman with global consulting and private equity experience, a Chief Operating Officer and Chief Growth Officer; and two Financial Controllers.

Performance

In the period to 31 December 2017, the EBITDA of FRA was £13.3m on turnover of £39.8m.

Hawksford

Percentage of equity held	17.8%
Cost of Investment	£6.7m
Directors' valuation	£11.2m
Percentage of Dunedin Enterprise's net assets	13.1%

Hawksford

Business description

Hawksford is a leading international provider of corporate, private client and funds services. The business offers a comprehensive range of services to, and solutions for, trusts, companies, foundations, partnerships, family offices and investment funds.

During 2018 Hawksford completed the acquisitions of P&P, a Hong Kong based trust business; and the corporate services division of audit and accountancy practice SH Landes. The P&P acquisition increased Hawksford's Asian presence, giving the company new representation in China and Japan, building on its existing presence in Singapore and Hong Kong. Hawksford's international clients will now have access to a greater depth of services across Asia, while P&P clients will be able to utilise Hawksford's wider services in other locations. As a result of the SH Landes acquisition, Hawksford will be able to provide specialist corporate services from its central London offices.

Investment rationale

Hawksford presented an opportunity to invest in a cash generative company with a stable core business, high levels of repeat business and very good long term client structures and relationships. There was a clear opportunity to create value through increased operational efficiency and marketing capability, proactive business development, international expansion into new geographies and an acquisition strategy in a highly fragmented sector.

Value creation

Growth is expected to be delivered through continued international expansion and continuing the proactive buy-and-build strategy. Dunedin has played a significant role in identifying, evaluating and funding bolt-on acquisitions and Hawksford has a strong pipeline of these acquisition opportunities.

What has been achieved

To date Hawksford has completed seven major acquisitions in Jersey, the UK, the Middle East and the Far East and further extended the company's global reach in the Far East by opening an office in Hong Kong in 2015. These acquisitions have further enhanced Hawksford's market leading-position through additional high-quality people and clients. The focus of the business remains on providing excellent service and increasing client choice by growing the international footprint.

Dunedin organised and led the recruitment of the current CEO. The financial management of the company has also been strengthened with the appointment of a new Finance Director. To prepare for the next phase of growth highly experienced Heads of the Private Client, Funds and Corporate Service businesses have also been appointed.

Performance

In the year to 31 December 2017, the EBITDA of Hawksford was £6.5m (2016: £6.1m) on turnover of £24.6m (2016: £22.4m).

Percentage of equity held	8.9%
Cost of Investment	£6.7m
Directors' valuation	£10.2m
Percentage of Dunedin Enterprise's net assets	12.0%

Realza Capital

Business description

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

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 ranges from €10m to €25m.

Investment rationale

A €15m commitment was made to Realza in 2008. This commitment was made in accordance with the Trust's investment policy of investing in limited partnership funds with a European investment remit which invested in transactions of a similar nature and size to Dunedin.

What has been achieved

To date Realza has drawn down 95% of commitments. The fund has made seven investments of which four have been realised. The areas of business in which the fund's remaining investments operate are the: -

- manufacture and sale of household cleaning and personal care products;
- manufacture and sale of water pumps for the automotive industry; and
- producer of premium tomatoes.

Performance

To date there has been four realisations achieved by the fund, including the realisation of Litalsa in January 2019, generating a multiple on original cost of 2.9x. The remaining investments in Realza, excluding Litalsa, are valued at 1.4x cost.

WELDEX

Percentage of equity held	15.1%
Cost of Investment	£9.5m
Directors’ valuation	£9.6m
Percentage of Dunedin Enterprise’s net assets	11.3%

Weldex

Business description

Weldex is a market-leading crawler crane hire business in the UK, with the tenth largest lifting capacity globally. It serves the offshore wind, oil & gas, commercial construction and infrastructure markets. Its cranes, including two of the largest in the UK, have been used in a number of significant construction projects including Heathrow Terminal 5, the iconic arch at the Wembley Stadium, the 2012 Olympic site and Crossrail. More recent projects include erecting a Mitsubishi wind turbine at the offshore test facility at Hunterston, North Ayrshire, and refurbishing the blast furnace at the Tata steel works in Scunthorpe.

Weldex was established in 1979 and has grown into the UK’s largest crawler crane hire company. The company employs over 100 staff and operates nationwide and overseas from its headquarters in Inverness and its depot at Alfreton. The company provides its customers with an established team of fully accredited operators, site managers and service engineers and also supplies associated lifting equipment including wheeled cranes, forklifts, lorry loaders and trailers.

Investment rationale

Weldex is a market-leading business serving the renewables and power generation market, where growth is driven by the developing UK energy gap and EU legislation on climate change. The offshore wind installation infrastructure is supply constrained and Weldex services this niche. There are strong barriers to entry: high capital expenditure, long lead times to source cranes, the need for experienced operators, and Weldex’s reputation.

Value Creation

Value creation is expected to be generated through continued investment in the crawler crane fleet to meet demand in Weldex’s targeted sectors. Key growth areas are in renewable energy infrastructure, power generation and industrial and commercial construction.

What has been achieved

Weldex has continued to invest in its core fleet. A new independent non-executive Chairman was appointed in 2014 with extensive international experience. This breadth of experience compliments the existing management team’s operational expertise.

Performance

In the year to 30 November 2017, the EBITDA of Weldex was £11.4m (2016: £10.4m) on turnover of £23.1m (2016: £21.1m).

KINGSBRIDGE

Percentage of equity held	12.4%
Cost of Investment	£4.1m
Directors' valuation	£7.9m
Percentage of Dunedin Enterprise's net assets	9.3%

Kingsbridge

Business description
Kingsbridge is a market-leading, FCA-regulated specialist insurance intermediary with two divisions: a contractor insurance division and a corporate brokerage division. Founded in 2007, the business offers various insurance products specifically designed for the contractor market and has enjoyed strong growth.

Investment rationale
There is a significant and growing market opportunity for contractor insurance, with contractors becoming an increasingly prevalent component of the UK workforce. Long-term growth in demand points towards a broad-based workforce shift as more people embrace flexible working. Kingsbridge is a high growth, high margin, cash generative and innovative insurance services firm with an impressive financial growth track record. Kingsbridge Contractor Insurance is the clear market leader in the specialist provision of insurance for contractors and freelancers.

Value creation
Kingsbridge has achieved strong organic growth in both revenue and profit, driven by growing referrals from large affinity partners. It is a highly cash generative business as working capital and capital expenditure needs are modest. In addition to the organic growth, the business has made two strategic acquisitions broadening its digital distribution channels.

What has been achieved
In December 2018, the business successfully completed the acquisition of InsurTech pioneer Dinghy, an online provider of PI and related insurances to the UK freelance/creative sector. This was the second acquisition that Kingsbridge made in 12 months, the first was Larsen Howie, a specialist online provider of insurance and IR35 and tax related services.

A new CEO joined in September 2017 in line with the agreed succession plan at the point of investment. The business has seen enhanced operational efficiency through IT and best practice; a greater focus on brand and marketing; and the introduction of new products for market.

A new Chairman has also been appointed along with an experienced CFO.

Performance
In the year to 31 January 2018, the EBITDA of Kingsbridge was £4.3m (2017: £3.1m) on turnover of £12.5m (2017: £10.0m).

Percentage of equity held	5.2%
Cost of Investment	£7.3m
Directors' valuation	£6.4m
Percentage of Dunedin Enterprise's net assets	7.5%

CitySprint

Business description
CitySprint is the UK's largest national time-critical and same-day distribution network. It benefits from an asset-light business model with over 3,000 self-employed couriers, making the business both highly flexible and scalable. It operates from 40 service centres in the UK and handles over ten million critical same-day deliveries a year.

CitySprint offers a range of services including SameDay Courier, UK Overnight and International courier services, as well as more complex logistics services. It services a number of different sectors, including healthcare, online retail fulfilment and parts fulfilment such as outsourced supply chain services for engineering and servicing companies. CitySprint now has the UK's largest same-day healthcare courier network.

Investment rationale
CitySprint has a unique, highly scalable business model with a sustainable competitive advantage. It is entirely differentiated from next day courier businesses where the market is much more competitive and made up of larger organisations. The company's market-leading technology platform underpins its asset-light business model. It exploits opportunities in new markets such as pharmacy, healthcare and e-retail and is active in the development of new products and market-leading technology, particularly in the retail and healthcare divisions. It has a highly experienced management team with a track record in Buy and Build and organic growth.

Value creation
The company is achieving good revenue and profit growth through its very active buy-and-build and organic growth strategies. The business is focussing on building out its technology platform.

What has been achieved
During 2017, 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 30.

In February 2016 Dunedin Enterprise realised its investment in CitySprint with a portion of the proceeds being rolled over into a newco. The realisation of CitySprint valued the company at £175m and generated proceeds of £26.1m for Dunedin Enterprise. This compares to a valuation at 30 September 2015 of £23.2m. The proceeds were split between capital of £22.8m and income of £3.3m. The proceeds represented a return of 2.75 times over five years on the original investment of £9.8m when taking account of income previously received.

Performance
In the eleven months to 31 December 2017, the EBITDA of CitySprint was £18.0m (2016: £17.4m) on turnover of £172.3m (2016: £157.8m).

Percentage of equity held	8.2%
Cost of Investment	£6.4m
Directors' valuation	£6.4m
Percentage of Dunedin Enterprise's net assets	7.5%

GPS

Business description

GPS is a UK headquartered payments processing business providing customers with leading edge payment processing and ancillary services. Customers include new emerging fintech or challenger banks, offering a significantly differentiated proposition for their clients; as well as specialist payment firms serving the travel, insurance and foreign exchange markets. It offers a best in class, scalable payment processing platform with flexibility, innovative features and an accelerated speed to market for new market entrants. It has over 100 clients, including many UK fintech and challenger banks, and is seeing significant growth opportunities from emerging overseas challenger banks as they seek to disrupt their own domestic banking markets.

Investment rationale

GPS has a large and growing addressable market. Challenger banks and fintech companies needing leading edge payment processing services are being created in all major geographical markets. Many are seeking help from GPS as they start to disrupt their own domestic markets. As the winners emerge, the volume of payments that they generate also increases, thereby adding further volume of processing to the GPS platform. In general, the payments market is growing globally through a reduction in the use of cash and an increase in the use of mobile methods of payment (e.g. phones and 'tap to pay' debit cards).

GPS has an increasingly international target market, with recent client wins in Europe and Australia. Significant opportunities are also being pursued in North America and Asia.

Value creation

Growth is expected to come through a strategy of geographic expansion and investment to maintain the company's leading-edge technological position.

What has been achieved

Significant progress has been made in helping the company prioritise its key opportunities and invest in improving its main functional business areas, thereby creating strong foundations to support the growth that is expected in this market. Key talent has been sourced and added to the company at all levels, including a Chairman, a Chief Financial Officer and numerous operating and technology focussed hires. Key new management and operating systems have been introduced to the company to help it as it grows.

Percentage of equity held	20.1%
Cost of Investment	£9.7m
Directors' valuation	£4.5m
Percentage of Dunedin Enterprise's net assets	5.3%

Red

Business description
RED is a global supplier of SAP contract and permanent staff to international corporations and consultancies. SAP is the market leader in ERP software (Enterprise Resource Planning), which enables companies of all sizes and industries to operate more efficiently, including many of the world's largest organisations.

Red, which was founded in 2000, now has a global footprint with access to over 200,000 candidates in 80 countries, and has offices in the UK, Germany, Switzerland and the USA.

Investment rationale
SAP earnings are forecast to grow at 7% per annum over the next five years, driving the ongoing requirement for highly skilled consultants to implement, maintain and upgrade systems. Red has a strong customer base and good visibility of earnings.

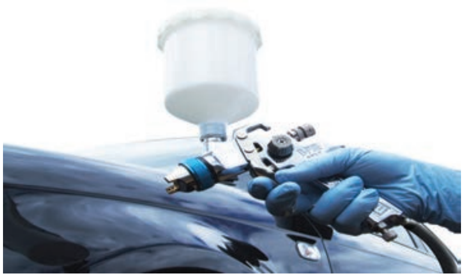
Value creation
Business growth is expected to come from expanding the international office network and continued focus on outstanding client service.

What has been achieved
Dunedin led the search for a new CEO who joined the business in May 2018. The new CEO, is an experienced and highly successful recruitment leader with significant international experience gained with private and publicly listed recruitment businesses, including technology recruitment.

Performance
In the year to 31 March 2018, the EBITDA of Red was £3.4m (2017: £1.3m) on turnover of £123.6m (2017: £105.8m).

U-POL

Percentage of equity held	5.0%
Cost of Investment	£5.7m
Directors' valuation	£3.6m
Percentage of Dunedin Enterprise's net assets	4.3%



U-POL

Business description

U-POL is a leading independent manufacturer of automotive refinish products including body fillers, coatings, aerosols, polishing compounds and consumables. Included in the product range is RAPTOR™, a tough protective coating product which can be used over a multitude of surfaces. Sales of RAPTOR™ continue to grow strongly and the business is exploring opportunities to sell this product into adjacent sectors.

From its UK manufacturing base in Wellingborough, U-POL exports a range of products to 120 countries worldwide. The company has a strong market position in the UK and a growing position in other large markets such as the USA, the Far East, the Middle East, Africa and Russia.

Investment rationale

U-POL has a market leading position in the UK and growing market share in other large markets such as the USA. It enjoys a good competitive position globally. Growth was expected through expansion of its range and increased market share in new and existing markets.

Value creation

U-POL is focussing on products with high growth potential. The company's portfolio of products has been rationalised and rebranded to give a more coherent offering to both the professional and DIY markets. A strong retail offering has been developed.

What has been achieved

A new Chairman, Supply Chain Director and President of North America have been appointed during 2018. In August 2016 a re-financing of the business was undertaken with Dunedin Enterprise receiving proceeds of £2.6m.

Performance

In the year to 31 December 2017, the EBITDA of U-POL was £10.8m (2016: £13.2m) on turnover of £68.2m (2016: £68.9m).

Incremental Group

Percentage of equity held	8.2%
Cost of Investment	£3.0m
Directors' valuation	£3.0m
Percentage of Dunedin Enterprise's net assets	3.5%

Incremental

Business description
Incremental is a market-leading, UK-focused IT services business which helps its clients to design, implement and manage their IT infrastructure needs, including ERP, CRM, cyber security and digital applications. Incremental's mission is to enable government and industry to digitally transform their businesses, one step at a time. Incremental has three main delivery sites in Glasgow, Inverurie and Northwich supported by sales offices in London and Manchester. The business has a headcount of 135.

Investment rationale
Incremental has a large addressable market which is growing strongly, particularly in the ERP and CRM space. The transition from on-site servers to the Cloud is driving businesses to transform their IT systems and strategies.

Value creation
Incremental is an established robust platform business operating in a highly fragmented market. Incremental has demonstrated strong organic growth which will be enhanced through acquisitions to increase geographic presence, provide new service lines and enter new end sector verticals.

What has been achieved
Since the investment in November 2018, Dunedin has been working closely with management to identify and review potential acquisition targets. A COO has been recruited into the business.

The Remaining Investments (held directly and via funds)

Company Last reported Description of business	Proportion of fully diluted capital owned %	Book cost £m	Valuation £m	Percentage of net assets %
EV 31.03.18 Provider of high performance ruggedised video cameras and engineers that are used to analyse problems in oil and gas wells	10.6	8.1	2.2	2.6
Premier Hytemp 30.08.18 Provider of highly engineered steel and nickel alloys and machined components for the gas and oil industry	20.8	10.1	1.9	2.3
Formaplex 30.06.17 Provider of tooling and lightweight component solutions	19.4	3.2	1.7	2.0
Alta-Berkeley VI 31.12.18 Technology fund	3.0	0.6	0.2	0.2
Add One 31.12.18 Technology fund	2.9	1.2	0.2	0.2

Long Term Record

Group Ended 31 December	Net assets	Cash returned to shareholders		Revenue available for ordinary shareholders	Per Ordinary Share			
			pence per share		Net asset value	Earnings	Dividend	Share price
	£'000	£'000	p	£'000	p	p	p	p
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	70.0	5,801	532.7	20.8	22.5	412.38
2013	116,267	17,992	72.3	4,758	529.3	19.9	16.5	436.0
2014	106,556	5,217	23.7	980	510.6	4.6	4.7	352.4
2015	104,427	695	3.3	(628)	505.8	(3.0)	–	321.5
Company* Ended 31 December								
2016	103,901	–	–	6,916	503.3	33.5	33.5	306.0
2017	100,988	20,644	100.0	3,927	489.2	19.0	19.0	396.5
2018	85,235	20,644	100.0	177	412.9	0.9	2.0	328.0

* from 2016 the financial statements are no longer prepared on a consolidated basis but instead with subsidiaries carried at fair value

Strategic Report

This Strategic Report has been prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Business and Status

The Company carries on business as an investment trust. 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 2017. In the opinion of the Directors, the Company has conducted its affairs during the period under review, and subsequently, so as to meet the eligibility conditions in Section 1158 of the Corporation Taxes Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 of the Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instruments 2011/2999).

The Board has contractually delegated the management of the investment portfolio to the Manager, Dunedin LLP ("Dunedin"). A summary of the terms of the Alternative Investment Fund Management Agreement is contained in the Directors' Report on page 28.

The existing Investment Objective and Investment Policy of the Company are detailed below.

Investment Objective and Policy

The Company's investment objective is to conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to Shareholders.

The Company's investment policy is to invest primarily in private equity investments, either through private equity funds managed by Dunedin or directly.

The Company may not make any new investments save that: (i) investment may be made to honour commitments to funds under existing contractual arrangements; (ii) further investment may be made into the Company's direct investments in order to preserve the value of such investments; and (iii) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds or bank cash deposits pending its return to Shareholders in accordance with the Company's investment objective.

No more than 10 per cent. of the Company's total assets may be invested in any single cash equivalent instrument or placed on deposit with any single institution, except that this limit does not apply to investment in government bonds, which shall be unconstrained.

The use of gearing shall be limited to the investment of up to £20m of borrowed funds or, if less, 20 per cent. of the Company's NAV (measured at the time of drawdown).

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

The Company will continue to comply with the requirements of UK investment trust legislation and the restrictions imposed on closed-ended investment funds by the Listing Rules in force from time to time.

In common with most investment companies, the Company may borrow to finance further investment. Although the Company 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 Company, the Board's policy is that financial gearing will not exceed 40 per cent. of gross asset value.

Risk Management

The Board carries out a regular and robust review of the risk environment in which the Company operates. The Board acknowledge that it is responsible for risk management systems, which have been in place for the year under review, and for reviewing their effectiveness. There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Company and they are regularly reviewed by the Board. The principal risks and uncertainties identified by the Board which might affect the Company's business model and future performance, and the steps taken with a view to their mitigation, are as follows:

Brexit: the profitability of the Company's investments is adversely impacted due to an adverse economic impact on the UK economy from a no-deal Brexit and restricted access to European markets. ***Mitigation:*** Brexit has been an ongoing board agenda item for all our portfolio companies. Each portfolio company has developed plans to cater for a variety of outcomes from the Brexit negotiations. These plans will be continually revisited as the course of the Brexit negotiations becomes clearer.

Investment and liquidity risk: the Company's investments are in small and medium-sized unquoted companies, which by their nature entail a higher level of risk and lower liquidity than investments in large quoted companies. ***Mitigation:*** the Manager aims to limit the risk attaching to the portfolio as a whole by closely monitoring individual holdings, including the appointment of investor directors to the board of portfolio companies. The Board reviews the portfolio, including the schedule of projected exits, with the Manager on a regular basis with a view to ensuring that the orderly realisation process is progressing.

Portfolio concentration risk: following the adoption of the Company's revised investment policy in May 2016 the portfolio will become more concentrated as investments are realised and cash is returned to shareholders. This will increase the proportionate impact of changes in the value of individual investments on the value of the Company as a whole. The Directors' valuation of the Company's investments represents their best assessment of the fair value of the investments as at the valuation date and the amounts eventually realised from such investments may be more or less than the Directors' valuation. ***Mitigation:*** the Directors and Manager keep the changing composition of the portfolio under review and focus closely on those holdings which represent the largest proportion of total value.

Financial risk: most of the Company's investments involve a medium to long term commitment and many are relatively illiquid.

Mitigation: the Directors consider it appropriate to finance the Company's activities through borrowing on a short-term basis. Accordingly, the Board seeks to ensure that the availability of cash reserves and bank borrowings matches the forecast cash flows of the Company both on a base and stress case basis given the level of undrawn commitments to limited partnership funds.

Economic risk: events such as economic recession or general fluctuations in stock markets and interest rates may affect the valuation of portfolio companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to net asset value. ***Mitigation:*** the Company invests in a diversified portfolio of investments spanning various sectors and maintains access to sufficient cash reserves to be able to provide additional funding to portfolio companies should this become necessary.

Credit risk: the Company holds a number of financial instruments and cash deposits and is dependent on counterparties discharging their commitment. ***Mitigation:*** the Directors review the creditworthiness of the counterparties to these investments and cash deposits and seek to ensure there is no undue concentration of credit risk with any one party.

Currency risk: the Company is exposed to currency risk as a result of investing in companies and funds denominated in euros. The sterling value of these investments can be influenced by movements in foreign currency exchange rates. ***Mitigation:*** Currency risk is monitored by the Manager on an ongoing basis and on a quarterly basis by the Board.

Internal control risk: the Company's assets could be at risk in the absence of an appropriate internal control regime. ***Mitigation:*** the Board regularly reviews the system of internal controls, both financial and non-financial, operated by the Company and the Manager. These include controls designed to ensure that the Company's assets are safeguarded and that proper accounting records are maintained.

Borrowings

In common with most investment companies, the Company may borrow to finance further investment. Although the Company 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 Company, the Board's policy is that the use of gearing shall be limited to £20m of borrowed funds or, if less, 20 per cent. of the Company's NAV (measured at the time of drawdown).

The Company currently has a £10m revolving credit facility with Lloyds Bank plc which expires on 31 May 2019. There are standard bank covenants attached to the facility including a minimum net asset value covenant of £50m which the Board monitors on an ongoing basis.

Review of Performance

An outline of the performance, market background, investment activity and portfolio during the year under review and the performance over the past 10 years, as well as the investment outlook, are provided in the Chairman's Statement on pages 3 and 4 and the Manager's Review on pages 8 to 11. Details of the Company's top ten investments can be found on pages 12 to 21 with the remaining investments detailed on page 21.

Monitoring Performance – Key Performance Indicators

At each Board meeting the Directors consider a number of performance indicators to assess the Company's success in achieving its objectives, which include both absolute and relative performance compared to the market indices and peer group. The key performance indicators ('KPIs') used to measure the progress and performance of the Company are as follows:

- cash distributions to shareholders;
- movement in share price;
- movement in net asset value per ordinary share;
- movement of net asset value and share price performance compared to the Benchmark; and
- ongoing charges.

Details of the KPIs are shown on pages 1 and 2.

Share Buyback

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 29, 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 might be bought back as it believes that the announcement of specific targets would be likely to hinder the successful execution of a buyback policy.

Social, Community, Human Rights, Employee Responsibilities and Environmental Policy

As an investment trust, the Group has no direct social, community or employee responsibilities. Dunedin, with the support of the Board, does however take environmental, social and governance factors and human rights issues into consideration with regard to investment decisions made on behalf of the Company. The Company has no employees and no requirement to report separately on this area, as the management of the portfolio has been delegated to Dunedin. Details of the Alternative Investment Fund Management Agreement are provided on page 28.

Diversity

At 31 December 2018, there were three male directors and one female director on the Board. The Board's policy on diversity is set out on page 32.

By order of the Board

Duncan Budge
Chairman
18 March 2019

Directors' Report

The Directors present their report and audited financial statements for the year to 31 December 2018.

The Manager of the Company is Dunedin LLP ("Dunedin"). The Board is independent of Dunedin. The Company's registration number is SC052844.

Going Concern

The financial statements have not been prepared on a going concern basis, since the Company's current objective is to conduct an orderly realisation of the investment portfolio and return cash to shareholders. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the change in the basis of preparation.

Statement on long-term viability

In accordance with the AIC Code of Corporate Governance, the Directors have assessed the prospects of the Company over the three-year period to 31 December 2021. The Directors consider that for the purpose of their assessment it is not practical or meaningful to look forward over a period of more than three years. Furthermore, the Directors deem that this reflects a balance between assessing the Company's prospects over the longer term and the uncertainties inherent in looking out further than three years. The Board recognises that the Company's bank facility expires in May 2019. The Manager is in ongoing discussions with the Bank and it is the current intention to extend the bank facility by a further year but at a lower level of £5.0m.

The Board has taken account of the Company's current position and carried out a robust assessment of the principal risks and uncertainties facing the Company and the mitigating actions as identified in the Strategic Report. The Board also considered the major factors which effect the economic, regulatory and political environment.

The assessment also considered: -

- the nature of the Company's business, including cash reserves and borrowing facilities available to the Company,
- the potential for its unlisted portfolio to generate future income and capital proceeds,
- future capital calls by funds to which the Company has made commitments,
- the Company's income and expenditure projections; and
- the change to the Company's investment objective and the impact on the potential of the unlisted portfolio to generate future income and capital proceeds during the managed wind down and the ability of the Directors to minimise the level of cash outflows should this be necessary.

These metrics are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecasts. The principal factors which were stress tested being the: -

- timing of realisations,
- timing of follow-on investments, and
- quantum of realisations.

The Board has concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2021.

Share Capital

At 31 December 2018, the Company's issued and paid up share capital was £5,161,015.50 divided into 20,644,062 fully paid up ordinary shares.

The rights attaching to the Company's shares are set out in the Company's Articles of Association (which may be amended by special resolution) and they are also supplemented by (and are subject to) relevant provisions of the Companies Act 2006 ("2006 Act") and other legislation applying to the Company from time to time.

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 shareholdings.

Dividends

The ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Directors) and to receive any interim or special dividends which the Directors may resolve to pay.

A final dividend of 2.0p is to be paid to shareholders on 16 May 2019, to shareholders on the register at close of business on 26 April 2019. The ex-dividend date is 25 April 2019.

Voting Rights

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

Rights attaching to B shares

Following the approval by shareholders on 11 May 2017, the Directors have the ability to capitalise sums standing to the credit of certain of the Company's reserves in accordance with the Articles of Association and use such capitalised amounts to allot and issue as fully paid up B shares of 50 pence each. The quantum and timing of any issue is at the discretion of the Directors. Any B shares issued will be redeemable at the option of the Company and it is expected that any redemption will occur shortly after each date of issue of B shares, when all of the B shares then in issue will be compulsorily redeemed and cancelled in accordance with their terms for an amount not exceeding the amount treated as paid up on the B shares.

When in issue, B shares do not provide the holder with any voting rights. B shares carry a limited right to a dividend; however, due to the very short time B shares will be in existence if issued, no dividend is ever likely to become payable. On a return of capital on a winding up, the holders of any B shares in issue will be entitled to 50 pence per B share held by them, in priority to any payment to the holders of every other class of shares in the Company.

Significant Shareholdings

The significant holdings in the Company's ordinary share capital which have been notified to the Company as at 31 December 2018 are shown below.

	Ordinary shares	% of issued share capital
Alliance Trust Savings	2,782,908	13.5
Lind Invest	2,598,613	12.6
Barwon Investment Partners	1,500,000	7.3
Baillie Gifford Diversified Growth Fund	1,461,877	7.1
Miton Asset Management	1,230,687	6.0
East Riding of Yorkshire Council	1,000,000	4.8
Hargreaves Lansdown	970,074	4.7
LGT Capital Management	792,000	3.8
Castellain Capital	705,000	3.4

Following the end of the financial year the Company was informed that the shareholding of Baillie Gifford Diversified Growth Fund has reduced to 737,641 (3.6%). There have been no other changes notified since the end of the financial year.

Directors

Details of the current Directors of the Company are shown on pages 5 to 6. All Directors are considered to be independent. No contract or arrangement existed during the period in which any of the Directors had a material interest. No Director has a service contract with the Company. Following a detailed review by the Board of each of the Directors other commitments, both public and private, it is considered that each has sufficient time available to undertake their duties as a Director of the Company.

In accordance with the UK Corporate Governance Code, changes to the Chairman's other significant commitments require to be disclosed and explained. The Chairman's other directorships are noted on page 5. The Directors have carefully considered the Chairman's other directorships and consider that the Chairman effectively manages his commitments and has sufficient time to meet what is expected of him as Chairman of the Company. The Chairman's attendance at Board and Committee meetings is outlined in the relevant table on page 32. The table shows that the Chairman has attended each Board and Committee meeting held during the year. The Directors believe this demonstrates that the Chairman continues to allocate sufficient time to the Company and continues to discharge his responsibilities effectively.

Angela Lane, Duncan Budge, Brian Finlayson and Michael Meyer Jensen will retire from the Board and, being eligible, offer themselves for re-election at the Annual General Meeting ("AGM").

Brian Finlayson was appointed to the Board on 1 January 2007 and has served for more than nine years. He has over thirty years of experience in both private equity and corporate finance. He worked with Dunedin Capital Partners Limited before retiring from the company in 2002. He has held numerous non-executive director positions in private equity backed businesses both whilst unlisted and subsequently on listing. The Directors have carefully considered Brian Finlayson's independence and believe that notwithstanding his historic connections with the Manager's group and the number of years he has served as a Director, he retains independence of character and of judgement. The Directors do not consider that there are relationships or circumstances which are likely to affect Brian Finlayson's judgement. Given the long-term nature of private equity investments the Board considers it a significant benefit to the Company for Directors of the Company not to be subject to any overall limit on tenures.

Michael Meyer Jensen was appointed to the board in May 2017. Although he is not a shareholder representative, he is an employee of Lind Invest, a significant shareholder which currently holds an interest of 12.6% in the Company. The Directors have carefully considered Michael Meyer Jensen's independence and believe that, notwithstanding his employment by Lind, he is independent. The Directors are satisfied that the procedures in place as regards conflicts of interest, as set out on page 28, are sufficiently robust to ensure that Michael Meyer Jensen avoids a situation whereby he could be conflicted. In addition, Michael Meyer Jensen is aware of his duties to act independently of Lind Invest and in a way that would be most likely to promote the success of the Company for the benefit of its shareholders as a whole.

Following performance evaluation, in the view of the other Directors, Angela Lane, Duncan Budge, Brian Finlayson and Michael Meyer Jensen continue to perform effectively and to demonstrate commitment to the Company. The re-election of Angela Lane, Duncan Budge, Brian Finlayson and Michael Meyer Jensen is recommended to shareholders as their skills and experience continue to add to the strength of the Board.

Tenure of the Chairman

Duncan Budge has been a Director of the Company since 2 April 2012 and Chairman since 14 May 2014. The Nomination Committee has resolved that it is in the best interests of the Company that there should be no limit on the length of tenure of the Chairman; however this position will be subject to annual review. The Nomination Committee took a number of factors into consideration when arriving at this conclusion, including the fact that private equity investments by their nature are long term investments where an accumulated knowledge of the investments is beneficial to their supervision. Additionally, the Company is in a wind-down process which was approved by shareholders in May 2016. At the time the wind-down was approved, the Directors indicated that the process would take at least seven years to complete and the Nomination Committee consider it beneficial for there to be consistency of chairmanship during this period.

Directors' and Officers' Liability Insurance/Directors' Indemnity

The Company maintains insurance in respect of directors' liabilities in relation to their acts on behalf of the Company.

In line with market practice and the Company's Articles of Association, the Company has agreed to indemnify the Directors in respect of costs, charges, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under section 1157 of the Companies Act 2006 ("2006 Act"), in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' insurance maintained by the Company be exhausted.

Director's Conflicts of Interest
Under the 2006 Act, a Director 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 of Association 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 reviewed at each Board meeting and the Directors are required to disclose to the Company Secretary any change to conflicts or any potential new conflicts. Where a conflict of interest arises, the Director concerned will not participate in any discussions or decisions in that area.

Michael Meyer Jensen has a potential conflict regarding his employment and arrangements with Lind Invest, which currently holds an interest of 12.6% in the Company. This conflict has been formally disclosed and approved by the Board. Michael Meyer Jensen is prevented from participating in any discussions or decisions where this conflict is relevant.

Michael Meyer Jensen has been made aware of his duties as a director of the Company including the restrictions placed on him regarding the sharing of confidential information concerning the Company with Lind Invest or any other party.

Corporate Governance
The statement on Corporate Governance on pages 31 to 33 is included in the Directors' Report by reference.

Investment Management Arrangements
The principal terms of the Company's management agreement with Dunedin are set out on page 64.

The Board has 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.

Dunedin Managed Funds and Dunedin Fund of Funds LP operate carried interest schemes. Dunedin executives participate in these carried interest schemes.

Although the co-investment scheme for Dunedin executives, under which selected Dunedin executives invested their own funds in ordinary shares alongside direct investments by the Company, has ceased it continues to operate for investments made prior to May 2008.

Use of financial instruments
Reference is made to note 20 on page 61 which sets out a description of the financial instruments and associated risks.

Secretary
Dunedin LLP is appointed as Corporate Company Secretary pursuant to the Alternative Investment Fund Management Agreement, details of which are set out on page 64.

Duration
The Company does not have a fixed life.

Bribery Act
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 and detect bribery.

Facilitation of tax evasion
The Company has a zero-tolerance policy towards the facilitation of tax evasion. The investment manager also adopts a zero-tolerance approach and has policies and procedures in place to prevent and detect the facilitation of tax evasion.

Social, Community and Environmental Policy
The statement on social, community, environmental and human rights policy on page 25 is included in the Strategic Report by reference.

Modern Slavery Act
The Company is an investment company and has no employees. The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers, which are listed on the inside back cover of this report, comply with the provisions of the UK Modern Slavery Act 2015.

Activities in the field of research and development
The Company does not undertake activities in the field of research and development.

Greenhouse Gas Emissions
All of the Company's activities are outsourced to third parties.

As such it does not have any physical assets, property, employees or operations of its own and does not generate any greenhouse gas or other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

External Auditor
The Directors confirm that so far as each Director is aware there is no relevant audit information of which the Company's external auditors are unaware. Each Director has also taken all reasonable 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 external auditors are aware of that information.

The External Auditor, KPMG LLP, has indicated its willingness to continue in office and a resolution re-appointing them and authorising the Directors to fix their remuneration will be proposed as resolutions 8 and 9 at the forthcoming Annual General Meeting.

Post Balance Sheet Events
The Manager's Review on pages 8 to 11 details all post balance sheet events.

Annual General Meeting ("AGM")
The AGM of the Company will be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN on 8 May 2019 at 2.00 pm. Notice of the AGM is given on pages 65 to 67 of this report.

Resolutions to be considered at the AGM

Resolutions 1 to 9 and 11 and 12 will be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 10, 13 and 14 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution. Each of these resolutions is being proposed to comply with the Company's Articles of Association and to obtain certain authorities required under the 2006 Act from shareholders.

Resolution 1: Receive the audited Report and Accounts

Shareholders are being asked to receive the audited accounts for the year ended 31 December 2018.

Resolution 2: Approve the Directors' Remuneration Report

Shareholders are being asked to approve the Directors' Remuneration Report set out pages 36 to 38 for the year ended 31 December 2018.

Resolution 3: Final Dividend

Shareholders are being asked to approve the Final Dividend of 2.0p per Ordinary Share for the year ended 31 December 2018. If shareholders approve the recommended Final Dividend, it will be paid on 16 May 2019 to shareholders on the Company's register of members at the close of business on 26 April 2019.

Resolutions 4, 5, 6 and 7: Re-election of Directors

The Directors standing for re-election and their biographical details are set out on pages 5 to 6. The Board recommends to Shareholders the re-election of the Directors, each of whom the Board regards as possessing the requisite skills and attributes to continue making significant contributions in their respective roles.

Resolutions 8 and 9: Re-appointment and remuneration of external auditors

The Company is required to appoint auditors at each general meeting at which accounts are presented to shareholders. It is proposed that KPMG LLP be and are hereby re-appointed auditors of the Company and will hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, and that their remuneration be fixed by the Directors.

Resolution 10: Adoption of new articles of association

The Directors are seeking approval to amend the Articles of Association of the Company to reduce the nominal value of unissued B shares from 50 pence to 1 pence and change the Articles of Association of the Company accordingly (the "**New Articles of Association**"). This amendment is sought in order to give the Company greater flexibility in the amount that can be returned to shareholders via an issue of B shares as the Company continues with its managed wind down and the Company's assets diminish further.

The full terms of the New Articles of Association will be available for inspection from 29 March 2019 until close of the AGM at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF and at the AGM for at least 15 minutes before and during the meeting.

Resolution 11: Capitalisation for the purposes of making an issue of B shares

On 11 May 2017, the directors were granted the authority by shareholders to capitalise, from time to time, sums standing to the credit of certain of the Company's reserves and apply such sums in paying up in full, up to 400,000,000 B shares (the "**Capitalisation Authority**"), meaning up to £200,000,000 could be returned to shareholders. If the adoption of the New Articles of Association pursuant to resolution 10 is approved, reducing the nominal value of future B shares to one pence, the Capitalisation Authority will require to be increased in order to give the Company the ability to return up to £200,000,000 as originally approved by shareholders in May 2017. Since returns of capital have already been made to shareholders, there is £158,711,876 of such authority remaining. Therefore, resolution 11 (which is conditional upon resolution 10 being passed) seeks authority for the Directors to capitalise, from time to time, sums standing to the credit of certain of the Company's reserves and to apply such sums in paying up in full up to 15,871,187,600 B shares, being the aggregate number of B Shares of 1 pence each which would enable the Company to return up to £158,711,876 to shareholders.

Resolution 12: Authority to allot shares

Resolution 12 will, if approved, give Directors a general authority to allot and issue B shares, from time to time up to an aggregate nominal amount of £158,711,876 (being the remainder of the aggregate total of £200,000,000 that may be allotted (as approved on 11 May 2017), following the allotment of B shares on 4 December 2017, 5 February 2018 and 9 October 2018) on a pro rata basis to the holders of Ordinary Shares by way of bonus issue. The authority will expire at the conclusion of the AGM of the Company to be held in 2020. Passing this resolution will ensure that the directors continue to have the ability to issue redeemable B shares to shareholders upon further realisations. The Company does not at present hold any shares in treasury.

Resolution 13: Share buy-backs

The existing buy-back authority, granted at the AGM of the Company held on 10 May 2018, permits the Company to make market purchases of up to 14.99 per cent. of the Company's issued ordinary share capital as at 28 March 2018 and expires at the forthcoming AGM. The authority, under Resolution 13, 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 3,094,545 Ordinary Shares (being 14.99 per cent. of the issued share capital as at 28 March 2019 the latest practicable date prior to publication of this notice). This authority will expire at the conclusion of the AGM of the Company in 2020 (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 Conduct Authority, the maximum price (excluding expenses) that can be paid is not more than the higher of (i) 5 per cent. above the average market values of the ordinary shares for the five business days before the day on which the purchase is made; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue. 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. The effect of any cancellation would be to reduce the number of shares in issue. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

Resolution 14: Notice of General Meetings

The Shareholder Rights Directive ("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 14 seeks to renew this shareholder approval. The approval will be effective until the Company's next AGM, 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.

Recommendation of the Board

The Board considers that all the resolutions to be considered at the AGM are in the best interests of the Company and the shareholders as a whole. Your Board intends to vote in favour of them in respect of their entire beneficial holdings of Ordinary Shares which amount, in aggregate, to 217,275 Ordinary Shares (representing approximately 1.1 per cent. of the ordinary share capital of the Company in issue) and unanimously recommends that you do so as well.

By order of the Board,

Duncan Budge
Chairman
18 March 2019

Corporate Governance Report

Compliance

The Board considers that the Company has complied with the relevant provisions contained in the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") in April 2016 and the recommendations of the AIC's Code of Corporate Governance issued in July 2016 (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 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 Board has noted the publication of the revised UK Corporate Governance Code by the FRC and the AIC Code which the Company will be required to report against for the year ending 31 December 2019.

The UK Corporate Governance Code includes provisions relating to the role of the Chief Executive, Executive Directors' remuneration and the need for an internal audit function. For the reasons set out in the AIC Guide, and as explained in the UK 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 Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Board

The Board consists of four non-executive Directors, all of whom the Company deems to be independent, even though Brian Finlayson has served as a Director for over nine years.

On appointment, 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, as appropriate, their training and development needs as necessary to enable them to discharge their duties taking account of company specific matters and industry issues.

The Board determines the strategic direction of the Company. It meets at least four times a year and there is regular contact with Dunedin (the "Manager") between these meetings. There is a formal schedule of matters specifically reserved for Board 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. The Company Secretary is also responsible for ensuring good information flows between all parties. The Board maintains ongoing dialogue with the Company's legal adviser in relation to corporate governance matters.

The Directors have considered their duties under section 172 of the Companies Act 2006 in promoting the success of the Company for the benefit of the stakeholders who are, in the main, the Company's shareholders. The Directors have taken into consideration the likely consequences of any decision in the long term; the need to foster the Company's business relationships with Dunedin and the Company's advisers; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

There is a clear division of responsibility between the Board and the Manager. The Manager's role is defined within the Alternative Investment Fund Management Agreement. The Board and the 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 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, human rights and other business issues.

The Manager's environmental, social and governance policy can be found at www.dunedin.com. The Manager also supports the principles of the UK Stewardship Code and implements these where applicable. 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 respect of shares held in the relevant underlying portfolio companies at the annual general meetings of these companies. In the year to 31 December 2018 the Company voted in favour of all resolutions put forward at the annual general meetings of portfolio companies.

The Company's 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 necessary for the Directors to be appointed for a fixed term as recommended by provision B.2.3 of the UK Corporate Governance Code. The Board's policy on tenure is to adopt best practice in line with the requirement of the UK Corporate Governance Code for FTSE 350 companies, for all Directors to retire and, if appropriate, stand for annual re-election at each AGM. 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. 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 most recent evaluation was carried out in November 2018 and the next evaluation is planned to take place in November 2019. An external consultant has assisted the Board in this evaluation from time to time. The Board as a whole meets to assess its own performance and that of its Committees. The Chairman undertakes a review of each Director to assess their performance. The non-executive Directors, led by the Senior Independent Director, are responsible for performance evaluation of the Chairman. The review considers, amongst other things, the balance of skills of the Board and its diversity, the contribution of individual Directors and the overall effectiveness of the Board and its committees. Each individual Director's training requirements are reviewed as part of the annual evaluation process. The Board believes that it has an appropriate balance of skills and experience, length of service, diversity (including gender) and knowledge of the Company.

The Board supports diversity in the boardroom and is of the opinion that appointments to the Board should be made taking into account a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

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

Directors	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended	Management Engagement Committee meetings attended
Duncan Budge	4	4	2	2
Brian Finlayson	4	4	2	2
Michael Meyer Jensen	4	4	2	2
Angela Lane	4	4	2	2
Federico Marescotti (resigned 9 May 2018)	1	1	–	–

Board Committees

There are three committees of the Board: the Nomination Committee, the Management Engagement Committee and the Audit Committee. The terms of reference for each committee are available on the Company's website. A report of the activity of each committee is set out below.

Due to the size of the Board, the Board has not established a separate Remuneration Committee and, as a whole, fulfils the function of the remuneration committee.

Nomination Committee

Members:
Duncan Budge (Chairman)
Brian Finlayson
Michael Meyer Jensen
Angela Lane

The Nomination Committee comprises all the independent non-executive directors. 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 is also responsible for monitoring the composition, size and structure of the overall Board. The Nomination Committee aims to maintain an appropriate balance of skills and experience within the Board and, together with the Board, supports the principle of diversity in the boardroom. Given the small size of the Board, it is not considered appropriate for the Company to have set targets or quotas in relation to diversity; candidates are assessed in relation to the relevant needs of the Company at the time of the appointment. The Nomination Committee is responsible for ensuring that any recruitment process takes account of the Company's diversity policy. From time to time, the Nomination Committee uses external specialist search consultants, as appropriate, to assist it in carrying out its responsibilities.

The Nomination Committee is chaired by Duncan Budge, except when this committee considers his succession and reviews his performance. In such circumstances, the Nomination Committee elects an alternative member to take the Chair. The Nomination Committee met twice in the year.

Management Engagement Committee

Members:
Duncan Budge (Chairman)
Brian Finlayson
Michael Meyer Jensen
Angela Lane

The Management Engagement Committee comprises all the independent non-executive Directors. The Management Engagement Committee reviews the performance of the Manager and its compliance with the terms of the Alternative Investment Fund Management Agreement. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Management Engagement Committee on an annual basis.

Audit Committee

Members:
Angela Lane (Chairman)
Duncan Budge
Brian Finlayson
Michael Meyer Jensen

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, Duncan Budge, is a member of the Committee. The Board is satisfied that the Audit Committee has the necessary skills and experience to operate effectively. The Audit Committee Report is set out on pages 34 to 35.

Internal Controls

The Directors have overall responsibility for ensuring that there are systems of internal control in place, 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.

Under the terms of the management agreement the day-to-day management and operation of the Company has been delegated to the Manager. Clear lines of accountability have been established between the Board and the Manager. The Board and the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. The Manager is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly. The system extends to financial, operational and compliance controls and risk management. The Board reviews the financial reports and performance statistics, including projections and management accounts from the Manager on a regular basis. Annually the Audit Committee carries out an assessment of internal risks and controls. In carrying out its review, the Audit Committee has regard to the activities of the Manager, including its risk management, compliance function and whistle-blowing policies, and the Independent Auditors.

On the basis of this work, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant business and operational risks faced by the Company and the Board has carried out a review of the effectiveness of this process. This process has been in place for the year ended 31 December 2018 and up to the date of the annual report and accounts.

The Audit Committee considers, and the Board agrees that an internal audit function is not required by the Company as the internal control systems operated by the Manager provide sufficient assurance of the effectiveness of internal controls.

Relations with Shareholders

All shareholders have the opportunity to attend in person and vote at the AGM. The notice of the AGM sets out the business of the meeting and items of business are explained in the Directors' Report on pages 29 to 30. Separate resolutions are proposed for each substantive issue. Both the Board and representatives of the Manager are available to answer shareholders' questions at the AGM. Proxy voting figures are announced to shareholders at the AGM.

The Chairman and Manager hold regular discussions with substantial 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 at any point during the year. They can be contacted at the registered office address of the Company noted on page 72. Additionally, the Chairman can be contacted via email at duncan.budge@dunedinenterprise.com. All correspondence received from shareholders is passed directly to the Chairman.

The Senior Independent Director is available to shareholders if their concerns have not been resolved through the normal channels or where these are inappropriate.

All communications by the Company with shareholders are approved by the Board.

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

Articles of Association

The Articles of Association of the Company may be amended by special resolution of the the Company.

Share buy-backs

Reference is made on page 25 of the Strategic Report for further information on share buy-backs.

Significant shareholdings

Reference is made on page 27 of the Director's Report for further information on the Company's significant shareholders.

By order of the Board,

Duncan Budge
Chairman
18 March 2019

Audit Committee Report

The Audit Committee is chaired by Angela Lane and comprises all of the Directors, all of whom are independent. The Audit Committee's principal responsibilities are:

- to review the interim and annual financial statements (and consider their integrity), interim management statements, announcements and matters relating to accounting policy, laws and regulations;
- to evaluate the risks to the quality and effectiveness of the financial reporting process;
- to review the consistency of accounting policies on a year on year basis;
- to review compliance with applicable accounting standards and make appropriate judgements, taking into account the views of the external auditor;
- where requested, to review the content of the Annual Report and Accounts and advise the Board whether the report as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy;
- to review and recommend for approval by the Board 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, including monitoring the statutory audit of the annual financial statements;
- 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;
- to make recommendations as to the appointment and remuneration of the external auditors; and
- to formally report to the Board on how it has discharged its duties.

The Audit Committee has a schedule which sets out its annual work programme to ensure it covers the areas within its remit appropriately. It met four times during the year to carry out its responsibilities and senior representatives of the investment manager ("the Manager") attended the meetings as required by the Audit Committee. The external auditors attended the Audit Committee's meetings once in the year and met with the Audit Committee without representatives of the Manager being present. In between meetings, the Audit Committee chairman maintains ongoing dialogue with the Manager and the external audit partner.

The Audit Committee met four times during the year under review. The main agenda item discussed at each of these meetings was the valuation of portfolio investments.

During the year the Audit Committee carried out a review of its terms of reference and its own effectiveness. It concluded that the Audit Committee is satisfactorily fulfilling its terms of reference and is operating effectively.

Significant accounting matters

The significant issue considered by the Audit Committee during the year in relation to the financial statements of the Company was the valuation of unquoted investments.

The Company's accounting policy for valuing unquoted investments is set out in note 4 on page 52. The Audit Committee reviewed and challenged the valuations prepared by the Manager taking account of the latest available information about the Company's investments and the Manager's knowledge of the underlying companies through their ongoing monitoring, position on portfolio company boards and participation on fund advisory committees. The Audit Committee satisfied itself that the valuation of investments had been carried out consistently with prior accounting periods, or that any change in valuation basis was appropriate, and in accordance with published industry guidelines.

The external auditors explained the results of their review of the procedures undertaken by the Manager for the valuation. On the basis of their audit work, no material differences were identified by the auditor.

Going Concern

The current investment policy of the Company is to conduct an orderly realisation of its assets leading ultimately to the liquidation of the Company. It was concluded that the financial statements should not be prepared on a going concern basis. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the basis of preparation. The auditor's report contains an "emphasis of matter" paragraph referring to the non-going concern basis of preparation.

External Auditor

The Audit Committee monitored the relationship with the external auditor with a view to ensuring that it did not provide non-audit services to the Company that had the potential to impair or appear to impair the independence of its audit role. In light of the restrictions of the FRC's Ethical Standard placed on the provision of non-audit services by the Company's auditor, the Audit Committee's policy is that no tax services will be provided by the auditor and that any other proposed non-audit services will require pre-approval by the Audit Committee. There were no non-audit services provided to the Company by the external auditor during the year ended 31 December 2018.

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. The Audit Committee is satisfied that the external auditor continues to demonstrate its independence.

The appointment of KPMG has not been put out to tender notwithstanding KPMG's tenure of 23 years, as the Audit Committee, from ongoing review of the external auditor's work and effectiveness, and indirect enquiry of the Manager, remains satisfied that KPMG continue to provide a high-quality audit and effective independent challenge in carrying out their responsibilities. Under EU regulations KPMG are permitted to undertake the audit of the Company until the year ended 31 December 2022. The Committee will keep KPMG's appointment under ongoing review. The current audit partner is Philip Merchant, appointed on 11 May 2016 and now in his third year. Under the rotation requirements of the FRC ES, the KPMG LLP audit partner will rotate every five years. Philip Merchant is in his third year.

During the year the Committee completed an external auditor performance evaluation questionnaire. The Committee reviewed and discussed the results of the questionnaire. 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 2019 Annual General Meeting, KPMG LLP be re-appointed as external auditor for the forthcoming year.

Risk Management and Internal Control

The Company does not have an internal audit function. The Committee believes this is appropriate as 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 Manager and submitted to the Audit Committee which it reviews on behalf of the Board to support the Directors' responsibility for overall internal control as set out in the Governance Report on page 33.

The Company does not have a whistleblowing policy and procedure in place. The Company delegates this function to the Manager who is regulated by the FCA and has such policies in place. The Audit Committee has been informed by the Manager that these policies meet the industry standards and no whistleblowing took place during the year.

Angela Lane
Chairman of the Audit Committee
18 March 2019

Directors' Remuneration Report

This report has been prepared by the Directors in accordance with the requirements of Section 420 of the Companies Act 2006. A resolution to approve the report will be proposed at the Annual General Meeting.

The Company's independent auditor, KPMG LLP, is required to give an opinion on certain information included in this report, as indicated below. The auditor's report on these and other matters is set out on pages 40 and 45.

Chairman's Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 ("2013 Regulations"), the Chairman confirms that there have been no major decisions taken on Directors' remuneration and no substantial changes relating to Directors' remuneration made during the previous financial year to 31 December 2018.

1) Directors' Remuneration Policy Report

This Report provides details of the remuneration policy for the Directors of the Company and is the same in all material respects as the policy put into practice by the Board. All Directors are non-executive, appointed under the terms of their letters of appointment and under the same terms as in force at the date of their appointment.

This Remuneration Policy was approved by a resolution of the Company's shareholders at the Annual General Meeting of the Company held on 11 May 2017 and was passed by 98.55% (7,361,780 votes) of shareholders voting in favour of the resolution and 1.45% (108,401 votes) voting against. Its provisions are applicable until the next triennial shareholder vote in 2020. The Remuneration Policy remains unchanged from that approved by shareholders in 2017. The Remuneration Policy provisions set out below will apply until the next triennial shareholder vote unless shareholders approve amendments sooner. The Company does not intend making any significant changes to implementation of the Remuneration Policy in the current financial year.

Due to the size of the Board, the Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' Remuneration Policy, as well as implementation of that policy. A separate Committee has therefore not been established. The Company's Directors are all independent of the Manager.

The non-executive Directors of the Company and all new Directors of the Company are entitled to such rates of annual fees, together with any incremental fees payable in recognition of any Director's additional time commitment, as the Board at its discretion shall from time to time determine, subject to the aggregate annual fees not exceeding an amount set by shareholders through the Articles of Association currently set at £200,000, and reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. The level of fees paid to Directors is determined by assessing their time commitment and responsibilities in fulfilling their roles. The Chairman of the Board, Chairman of the Audit Committee and Senior Independent Director are paid higher fees, reflecting the greater amount of time spent on the Company's business. As well as monitoring the approach by similar investment trusts to fees, suitable external advice is sought where appropriate.

In line with the majority of investment trusts, no component of any Director's remuneration is subject to performance factors, introductory fees or an exit payment. Additionally, Directors are not eligible for pension benefits, share options, long-term incentive schemes or other benefits. As the Company has no employees, no consideration needs to be given to employment conditions in setting Directors' pay. Subject to the triennial shareholder vote, the Company has not sought shareholder views on its remuneration policy.

It is the Company's policy that Directors do not have service contracts. The terms of their appointment provide that in line with the provisions set by the Articles of Association, a Director shall retire and be subject to election by shareholders at the first Annual General Meeting after their appointment and stand for re-election every three years thereafter. However, it is the policy of the Board that Directors are re-elected annually. The terms also provide that a Director may be removed from office with a notice period of three months. No compensation is payable for loss of office.

The Company indemnifies Directors in respect of costs, charges, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company.

Table of Directors' Remuneration Components

	2018[1] **£**	2017 £
Chairman fee	**34,000**	34,000
Non-executive Director base fee	**23,000**	23,000
Additional fee for chair of the Audit Committee	**3,000**	3,000
Additional fee for Senior Independent Director	**3,000**	3,000

The fees noted above represent the entirety of fees paid to Directors.

[1] Directors' fees may be increased, subject to the current maximum aggregate limit of £200,000 per annum stated in the Company's Articles of Association.

2) Directors' Remuneration Implementation Report

This report is prepared in accordance with Schedule 8 of the 2013 Regulations.

The rates of Directors' fees for the financial year to 31 December 2018 were set out in the Directors' Remuneration Report contained in the Company's 2017 Annual Report and Accounts. A non-binding ordinary resolution proposing adoption of the Remuneration Report was put to shareholders at the Company's Annual General Meeting held on 10 May 2018 and was passed by 99.8% (9,358,299 votes) of shareholders voting in favour of the resolution, 0.2% (20,381 votes) voting against.

The Company does not anticipate making any significant changes to implementation of the Remuneration Policy in the current financial year.

Directors' emoluments for the year (audited)

All Directors who served during the year ended 31 December 2018 received the emoluments, in the form of fees, as described in the table below.

Single Total Figure Table (audited)

	2018 Annual Fees £	2017 Annual Fees £
Duncan Budge	**34,000**	34,000
Brian Finlayson	**23,000**	23,000
Angela Lane	**27,946**	26,000
Michael Meyer Jensen	**–**	–
Federico Marescotti (resigned 10 May 2018)	**9,286**	26,000
Total	**94,232**	109,000

The fees noted above represent the entire remuneration paid to Directors. Michael Meyer Jensen has waived his right to be paid a Director's fee.

Relative importance of expenditure on pay

As required by the 2013 Regulations, to allow shareholders to assess the relative importance of expenditure on pay, the table below demonstrates the total remuneration paid to the Directors compared to the distributions to shareholders by way of dividend and any other significant distributions and payments.

	2018 £	2017 £	Difference
Spend on Directors' fees	**94,232**	109,000	-14%
Distributions to shareholders:			
(a) dividends	**1,135,422**	6,399,659	-82%
(b) B share redemption (inc costs)	**20,752,834**	20,707,689	2%

Statement of Directors' shareholding and share interests (audited)

The names of the Directors and their shareholdings in the Company as at 31 December 2018 are shown in the table below. The shareholdings of connected persons to the Directors are included in the figures below.

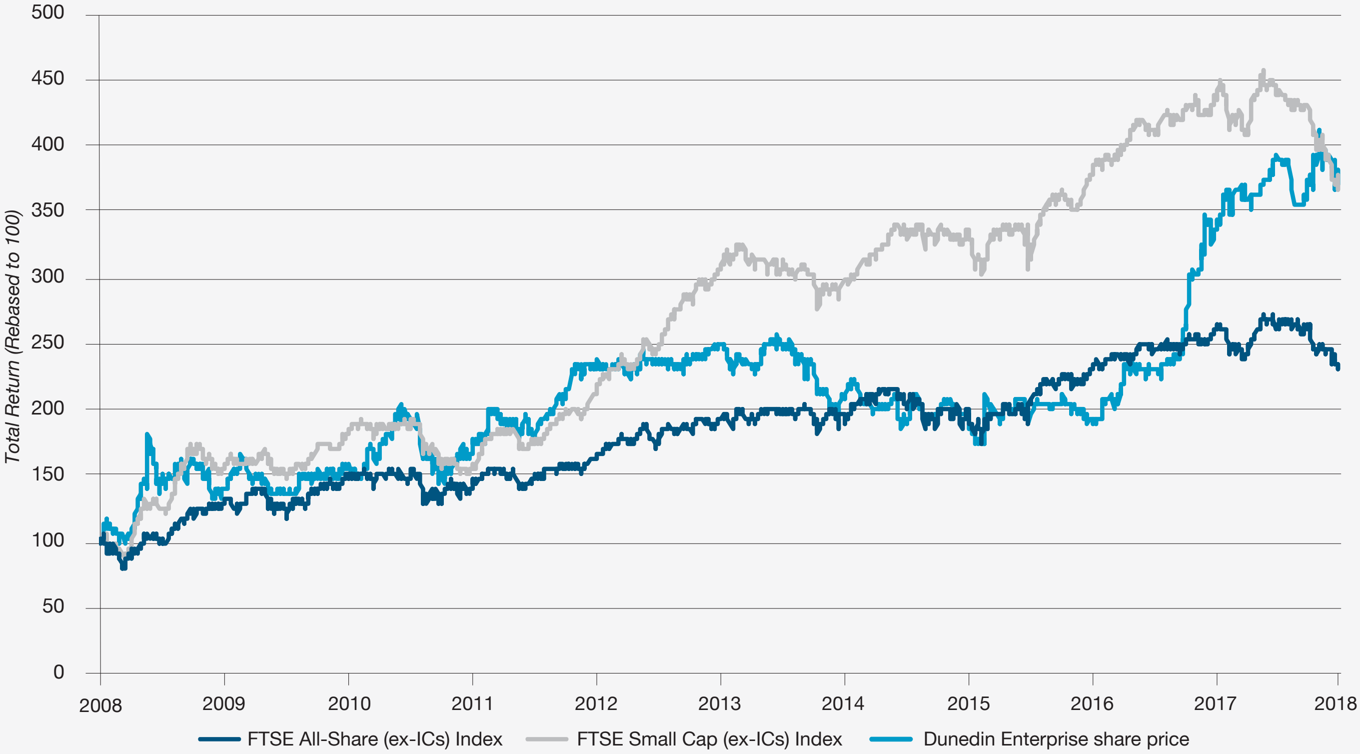
	2018 #	2017 #
Duncan Budge	**46,850**	46,850
Brian Finlayson	**126,052**	126,052
Michael Meyer Jensen	**4,900**	4,900
Angela Lane	**15,000**	15,000

The Company has been notified of the following changes to the Directors' shareholdings between 31 December 2018 and 18 March 2019. Brian Finlayson purchased 22,000 ordinary shares on 1 February 2019 and Angela Lane purchased 2,473 ordinary shares on 5 February 2019.

In accordance with the Company's articles of association, no Director is required to hold any shares in the Company by way of qualification.

Share price total return

The graph below presents for the period from 31 December 2008 to 31 December 2018 the total shareholder returns compared to the total return on the FTSE Small Cap (ex-investment companies) and the FTSE All Share (ex-investment companies). These indices are chosen for comparative purposes only.



The Directors' Remuneration Report on pages 36 to 38 was approved by the Board of Directors and signed on its behalf on 18 March 2019.

Duncan Budge
Chairman
18 March 2019

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

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

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

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 Company and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. As explained in note 1, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, 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.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our 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 Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Duncan Budge
Chairman
18 March 2019

Independent Auditor's Report

To the members of Dunedin Enterprise Investment Trust PLC

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Dunedin Enterprise Investment Trust plc ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

— give a true and fair view of the state of Company's affairs as at 31 December 2018 and of its return for the year then ended;

— have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs'); and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 27 July 1995. The period of total uninterrupted engagement is for the 23 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole		£0.87m (2017: £1.01m) 1% (2017: 1%) of Total Assets
Risk of material misstatement		**vs 2017**
Recurring risk	Valuation of unquoted investments	◄►
New risk	The impact of uncertainties due to the UK exiting the European Union on our audit	New

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to pages 24 and 25 (principal risks), page 26 (viability statement), page 4 (Chairman's Statement)*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of unquoted investments below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosures and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing valuation of unquoted investments we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on valuation of unquoted investments we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** As reported under valuation of unquoted investments, we found the resulting estimates and related disclosures in respect of the degree of estimation and sensitivity to key assumptions made when valuing the unquoted investments to be acceptable. We also found disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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2. Key audit matters: including our assessment of risks of material misstatement (continued)

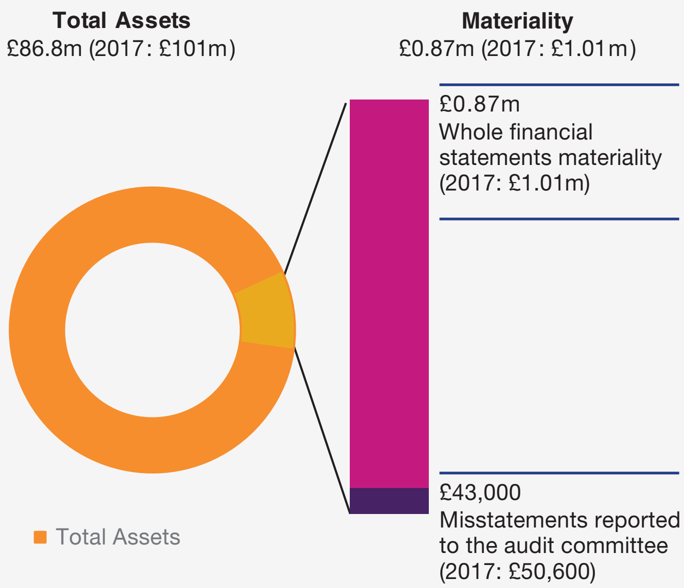
	The risk	Our response
Valuation of unquoted investments (£75.3 million; 2017: £67.2 million) *Refer to pages 34 to 35 (Audit Committee Report), pages 50 to 53 (accounting policy) and pages 56 to 59 and 61 (financial disclosures)*	**Subjective valuation:** 86.8% of the Company's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as prices of recent orderly transactions, earnings multiples and net assets. There is a significant risk over valuation of these investments.	Our procedures included: • **Historic comparisons:** Assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the company's approach to valuations; • **Methodology choice:** In the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines, we challenged the appropriateness of the valuation basis selected; • **Our valuation experience:** Challenge the investment manager on key judgements affecting investee company valuations, such as discount factors and the choice of benchmark earnings multiples. We compared key underlying financial data inputs to external sources, investee company audited accounts and management information as applicable. We challenged the assumptions around sustainability of earnings based on the plans of the investee companies and whether these are achievable. Our work included consideration of events which occurred subsequent to the year end until the date of this audit report; • **Assessing transparency:** Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of unquoted investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions. **Our results:** We found the Company's valuation of unquoted investments to be acceptable (2017: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £0.87m (2017: £1.01m), determined with reference to a benchmark of total assets, of which it represents 1% (2017: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £43,000 (2017: £50,600), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the investment manager's offices in Edinburgh.



4. Emphasis of matter – non-going concern basis of preparation

We draw your attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

— the directors' confirmation within the Viability Statement on page 26 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 39, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and the manager (as required by auditing standards) and discussed with the directors and the manager the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and its qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. **The purpose of our audit work and to whom we owe our responsibilities**
   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.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
18 March 2019

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Income Statement

	Notes	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Investment income	5	**778**	–	**778**	4,589	–	4,589
Gains on investments		**–**	**6,269**	**6,269**	–	20,573	20,573
		778	**6,269**	**7,047**	4,589	20,573	25,162
Expenses							
Investment management fee	6	**(49)**	**(148)**	**(197)**	(26)	(77)	(103)
Other expenses	7	**(448)**	**(113)**	**(561)**	(490)	(63)	(553)
Profit before finance costs and tax		**281**	**6,008**	**6,289**	4,073	20,433	24,506
Finance costs	8	**(66)**	**(197)**	**(263)**	(94)	(284)	(378)
Profit before tax		**215**	**5,811**	**6,026**	3,979	20,149	24,128
Taxation	9	**(38)**	**38**	**–**	(52)	55	3
Profit for the year		**177**	**5,849**	**6,026**	3,927	20,204	24,131
Basic return per ordinary share (basic & diluted)	11	**0.86p**	**28.33p**	**29.19p**	19.02p	97.87p	116.89p

The total column of this statement represents the Income Statement of the Company, 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 50 to 63 form part of the financial statements.

Balance Sheet

	Notes	£'000	2018 £'000	£'000	2017 £'000
Non-current assets					
Investments at fair value through profit or loss	12		**77,431**		90,690
Current assets					
Other receivables	13	**5,731**		1,032	
Cash and cash equivalents		**3,645**		9,441	
		9,376		10,473	
Current liabilities					
Other liabilities	14	**(1,572)**		(175)	
		(1,572)		(175)	
Net current assets			**7,804**		10,298
Net assets			**85,235**		100,988
Capital and reserves					
Share capital	15		**5,161**		5,161
Capital redemption reserve	16		**23,409**		23,409
Capital reserve – realised	16		**58,063**		57,936
Capital reserve – unrealised	16		**(13,030)**		(18,752)
Special distributable reserve	16		**6,312**		26,956
Revenue reserve	16		**5,320**		6,278
			85,235		100,988
Net asset value per share			**412.9p**		489.2p

The financial statements were approved by the Board of Directors on 18 March 2019.

Duncan Budge, Chairman

The notes on pages 50 to 63 form part of the financial statements. The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

	£'000	2018 £'000	£'000	2017 £'000
Cash flows from operating activities				
Profit before tax		**6,026**		24,128
Adjustments for:				
Gains on investments		**(6,269)**		(20,573)
Interest paid		**263**		378
Increase in debtors		**(4,699)**		(927)
Increase/(decrease) in creditors		**1,398**		(935)
Net cash from operating activities		**(3,281)**		2,071
Cash flows from investing activities				
Purchase of investments	**(13,942)**		(9,393)	
Drawdown from subsidiary	**(162)**		(385)	
Purchase of 'AAA' rated money market funds	**(47)**		(42,117)	
Sale of investments	**11,251**		53,142	
Distribution from subsidiary	**1,014**		13,794	
Sale of 'AAA' rated money market funds	**21,413**		19,658	
Net cash used in investing activities		**19,527**		34,699
Taxation				
Tax recovered		–		3
Cash flows from financing activities				
Redemption of B shares	**(20,644)**		(20,644)	
Dividends paid	**(1,135)**		(6,400)	
Interest paid	**(263)**		(378)	
		(22,042)		(27,422)
Net increase/(decrease) in cash and cash equivalents		**(5,796)**		9,351
Cash and cash equivalents at 1 January		**9,441**		90
Cash and cash equivalents at 31 December		**3,645**		9,441

The notes on pages 50 to 63 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018	Share capital £'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
At 31December 2017	5,161	23,409	57,936	(18,752)	26,956	6,278	72,418	100,988
Profit/(loss) for the year	–	–	127	5,722	–	177	6,026	6,026
B shares issued during the year	20,644	(20,644)	–	–	–	–	–	–
B shares redeemed during the year	(20,644)	20,644	–	–	(20,644)	–	(20,644)	(20,644)
Dividends paid	–	–	–	–	–	(1,135)	(1,135)	(1,135)
At 31 December 2018	**5,161**	**23,409**	**58,063**	**(13,030)**	**6,312**	**5,320**	**56,665**	**85,235**

For the year ended 31 December 2017	Share capital £'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
At 31December 2016	5,161	2,765	49,204	(9,580)	47,600	8,751	95,975	103,901
Profit/(loss) for the year	–	–	29,376	(9,172)	–	3,927	24,131	24,131
B shares issued during the year	20,644	–	(20,644)	–	–	–	(20,644)	–
B shares redeemed during the year	(20,644)	20,644	–	–	(20,644)	–	(20,644)	(20,644)
Dividends paid	–	–	–	–	–	(6,400)	(6,400)	(6,400)
At 31 December 2017	**5,161**	**23,409**	**57,936**	**(18,752)**	**26,956**	**6,278**	**72,418**	**100,988**

The notes on pages 50 to 63 form part of the financial statements.

Notes to the Accounts

1. General information and basis of preparation

Dunedin Enterprise Investment Trust PLC ('the Company') is a company incorporated and registered in the United Kingdom. The principal activity of the Company is that of a closed-ended investment trust within the meaning of Section 1158 of the Corporation Tax Act 2010 and its investment objective and policy is detailed in the Strategic Report.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs') which comprise standards and interpretations issued by the International Accounting Standards Board ('IASB'), and as applied in accordance with the provisions of the Companies Act 2006.

The annual financial statements have also been prepared in accordance with the AIC Statement of Recommended Practice for the Financial Statements of Investment Trust Companies and Venture Capital Trusts issued in November 2014 and updated in February 2018 with consequential amendments ('the SORP'). Where presentation guidance set out in the SORP 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.

Going concern

The financial statements have not been prepared on a going concern basis, since the Company's current objective is to conduct an orderly realisation of the investment portfolio and return cash to shareholders. Following the Director's assessment, no adjustments were deemed necessary to the investment valuations or other assets and liabilities included in the financial statements as a consequence of the change in the basis of preparation.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Judgements made by management in the application of IFRS that have a significant effect on the Financial Statements and significant estimates are disclosed in note 4.

2. Accounting Policies

a. Consolidation

Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Company having power over an entity.

As discussed in note 1, as at 31 December 2018 the Company has one subsidiary, a 100% controlling interest in Dunedin Funds of Fund LP ("FoF LP"). Under IFRS 10 'Consolidated Financial Statements', qualifying entities that meet the definition of an investment entity are not required to prepare consolidated financial statements and instead account for subsidiaries at fair value through profit or loss. The Directors deem the Company to be an investment entity and therefore the Company does not consolidate its subsidiary but instead carries it at fair value through profit or loss.

To qualify as an investment entity, the following criteria must be met by the entity: -

- holds more than one investment;
- has more than one investor;
- has investors that are not related parties to the entity; and
- has ownership interest in the form of equity or similar interests.

However, the absence of one or more of these characteristics does not prevent the entity from qualifying as an investment entity, provided all other characteristics are met and the entity otherwise meets the definition of an investment entity:

- it obtains funds from one or more investors for the purpose of providing those investor(s) with professional investment management services;
- it commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- it measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets all of the defined criteria of an investment entity and consequently the Directors deem that the Company is an investment entity.

2. Accounting Policies continued

FoF LP does not meet all the defined criteria of an investment entity as it is 100% owned by the Company. However, the Directors deem it is nevertheless an intermediate investment entity as the Company (which holds 100% of the interests in each entity) has a number of investors.

Therefore as the Company meets the requirements of an investment entity, the Company accounts for its subsidiary at fair value through profit or loss in accordance with IAS 39 “Financial Statements: Recognition and Measurement”. The Investments at fair value through profit or loss carried in the Balance Sheet include the Company’s investment in FoF LP. See note 12 for more detail on the investments held at fair value through profit or loss.

Accounting standards require that if an investment entity is the parent of another investment entity, the parent shall also provide the additional disclosures required by IFRS 12 ‘Disclosure of Interests in Other Entities’. These disclosures are set out in note 21.

b. Associated Undertakings

The Company 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 Company’s portfolio with a view to the ultimate realisation of capital gains. These investments are accounted for at fair value through profit and loss rather than being consolidated.

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 Company.

f. 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.

g. Financial assets and liabilities

(i) Classification

The Company classifies its financial assets and liabilities in the following categories: at fair value through profit or loss; and financial assets and liabilities at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition by management.

Financial assets at fair value through profit or loss

The financial assets comprise private equity investments and an investment in Dunedin Fund of Funds LP. The assets in this category are classified as non-current.

Financial assets and liabilities at amortised cost

These assets and liabilities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They comprise other receivables, cash and cash equivalents and other payables.

Other receivables comprise prepayments and accrued income and are classified as current assets if receipt is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Cash and cash equivalents comprise demand deposits with banks and are subject to an insignificant risk of changes in value.

Other payables comprise accruals and are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(ii) Recognition and measurement

Purchases and sales of financial assets are recognised on the date of the transaction (the date on which the Company commits to purchase or sell the asset). Investments are initially recognised at fair value, being the consideration paid and are subsequently measured at fair value as determined by the Directors.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction. The Directors based the fair value of investments based on information received from the Manager. The Manager’s assessment of fair value of investments is determined in accordance with IFRS 13 ‘Fair Value Measurement’.

Gains or losses arising from changes in the fair value for the ‘investments at fair value through profit or loss’ are presented in the Income Statement within ‘gains/(losses) on investments’ in the period in which they arise.

2. Accounting Policies continued

Financial liabilities at amortised cost consist of other payables. Other payables are initially recognised at fair value net of transaction costs incurred and classified as current. All purchases of financial liabilities are recorded on trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

h. Taxation

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

Deferred taxation is provided on the 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.

i. Dividend

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

j. 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.

k. Segmental analysis

The Directors are of the opinion that the Company is engaged in a single segment business, being investing in a portfolio of private equity funds or companies.

3. Accounting standards issued but not yet effective

In the current financial year the Company has applied a number of new standards, amendments to standards and interpretations.

IFRS 9 – Financial Instruments 2014 replaces IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial liabilities, impairment for financial assets and general hedge accounting. The Company measures all balance sheet items at fair value, there are no impaired assets and, does not enter into general hedge accounting. There is no material impact on the Company in relation to the adoption of this standard.

IFRS 15 – Revenue from Contracts with Customers specifies how and when an entity should recognise revenue and enhances the nature of revenue disclosures. Due to the nature of the Company's revenue streams from financial instruments there is no material impact on the Company in relation to the adoption of this standard.

At the date of authorisation of these Financial Statements, the following standards and interpretations have not yet been applied in these Financial Statements since they were in issue but not yet effective.

IFRS 16 Leases (effective 1 January 2019) specifies how to faithfully represent lease transactions and provide a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. There will be no material impact on the Company's financial statements as the Company does not have any leases.

4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the fair valuation of the unlisted investments.

Judgements

It's the Company's judgement that it meets the definition of an investment entity within IFRS 10. The criteria which define an investment entity are as follows:

(i) an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;

(ii) an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;

(iii) an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Board has agreed with the recommendations of the Audit Committee that the Company meet the definition of an investment entity as it satisfies each of the criteria above and that this accounting treatment better reflects the Company's activities as an investment trust. Specifically, as an investment trust, the Company's principal activity is portfolio investment and the investment objective of the Company (stated in the Strategic Report on page 24) is to conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to Shareholders.

The key judgements in the fair valuation process are: -

(i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital guidelines ("IPEV") to each unlisted investment; and

4. Accounting estimates, assumptions and judgements continued

(ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge.

The judgement applied in the selection of the methodology used (see 4(c) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the financial statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the balance sheet date. The fair valuation process involves estimates using inputs that are unobservable (for which market data is unavailable). Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Market Risk Sensitivity in note 20 on pages 61 to 63 illustrate the effect on the financial statements of an over or under estimation of fair values. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

Assumptions

The determination of fair value by the Manager involves key assumptions dependent upon the valuation methodology used. As explained below, the primary methodologies applied are i) Earnings Multiple, ii) Net Assets and iii) Price of Recent Investment. The multiples approach involves more subjective inputs than the other approaches and therefore presents a greater risk of over or under estimation.

The key assumptions for the Earnings Multiple approach are that the selection of comparable companies (chosen on the basis of their business characteristics) and using either historic or forecast revenues provide a reasonable basis for identifying the enterprise value of an investment in determining its fair value. Other assumptions include the appropriateness of the discount applied to the earnings multiple in recognition of the reduced liquidity of the investment.

The key assumption for the Price of Recent Investment method is that the prices used remain a reasonable proxy for fair value typically for a period of up to six months from the date of the relevant transaction. As the time from the reference transaction increases, the valuation is cross-checked to a Earnings Multiple based method to ensure reasonableness.

The key assumption for a Net Asset method is that for certain businesses the value of its net assets is a more appropriate method to determine its fair value. A discount will be applied to the net assets depending upon the nature of the underlying assets. The discount applied to assets has been cross-checked to independent valuers or external transactions.

Investments

Unlisted Investments

Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the IPEV guidelines. The principal methodologies applied are market-based approaches and are follows: -

- Earnings Multiple,
- Price of Recent Investment; and
- Net Assets.

The nature of the unlisted portfolio currently will influence the valuation methodology applied.

- the Price of a Recent Investment will be applied only for a limited period (typically up to six months) after the date of acquisition. Generally, after this limited period investments will be valued on the Earnings Multiple basis;
- when valuing on an Earnings Multiple basis, the maintainable earnings of a company are multiplied by an appropriate multiple. An appropriate multiple is sense checked against a basket of recent market transactions. The multiple may be discounted when compared to recent market transactions to reflect the relative size, growth and market segment of the comparable companies;
- 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 earnings. In certain circumstances a discount will be applied to those assets depending on their nature;
- 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;
- the fair value of the Company's investment in Dunedin Fund of Funds LP is deemed to be the net assets as it is the Directors' opinion that the net assets is derived from the fair value of the underlying investments as at the measurement date; and
- investments are valued net of carried interest which has arisen in the underlying funds. Carried interest is recognised at the point in time that the underlying fund achieves its hurdle rate of return.

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.

5. Income

	2018 £'000	2017 £'000
Dividend income – UK	–	967
Interest income – UK	603	635
Limited partnership income – UK	101	2,807
'AAA' rated money market funds	47	17
Other income	1	159
	752	4,585
Deposit interest*	26	4
Total income	**778**	4,589

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

6. Investment management fee

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
Investment management fee	49	148	197	26	77	103

Dunedin provides investment management and general administration services to the Company. The terms of the management fee arrangements are detailed on page 64.

7. Other expenses

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

	2018 £'000	2017 £'000
Auditors remuneration	29	34
Director fees	94	109
Legal fees	28	41
Printing and postage	34	43
Broker fees	20	30
Registrar fees	18	16
Regulatory fees	44	26
Depositary fees	40	41
Other	94	107
Irrecoverable VAT	47	43
	448	490

The Company does not directly employ any staff. The expense disclosed above relating to auditor's remuneration is the total for the Company. A breakdown of auditor's remuneration between audit and non-audit services provided to the Company and subsidiaries is included below. Expenses incurred in relation to the issue of B shares amounted to £108,773 (2017: £63,627).

	2018 £'000	2017 £'000
Fees payable to the auditor:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	25	24
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	4	4
Total audit fees	**29**	28
Non-audit services		
Audit related assurance services	–	6
Total non-audit fees	–	6
Total fees payable to the auditor by the Company and its subsidiaries	**29**	34

8. Finance costs

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
On bank loans and overdraft:						
Repayable in less than 5 years	**58**	**174**	**232**	81	244	325
Banking facility arrangement fee	**8**	**23**	**31**	13	40	53
	66	**197**	**263**	94	284	378

9. Taxation on profit on ordinary activities

	Revenue £'000	Capital £'000	2018 Total £'000	Revenue £'000	Capital £'000	2017 Total £'000
(a) Analysis of charge/(credit) for the year:						
UK corporation tax at 19% (2017: 19.25%)	**38**	**(38)**	**–**	55	(55)	–
Prior year adjustment	**–**	**–**	**–**	(3)	–	(3)
	38	**(38)**	**–**	52	(55)	(3)

The UK corporation tax rate was 19% throughout the year (2017 – effective tax rate of 19.25%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

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:

	2018 £'000	2017 £'000
Total return on ordinary activities before tax	**6,026**	24,128
UK Corporation Tax at 19% (2017: 19.25%)	**1,145**	4,645
Effects of:		
Capital (gain) not subject to corporation tax	**(1,191)**	(3,960)
Expenses not deductible	**18**	–
Non-taxable partnership income and expenses	**(50)**	(754)
Excess management expenses utilised	**78**	69
Prior year adjustment	**–**	(3)
	–	(3)

At 31 December 2018, the Company had net surplus management expenses of £5,780,000 (2017: £5,994,000) 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.

10. Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 £'000	2017 £'000
Final dividend for the year ended 31 December 2017 – 5.5p paid 17 May 2018	**1,135**	–
Interim dividend for the year ended 31 December 2017 – 13.5p paid 15 December 2017	**–**	2,787
Final dividend for the year ended 31 December 2016 – 17.5p paid 18 May 2017	**–**	3,613
	1,135	6,400

10. Dividends continued

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.

	2018 £'000	2017 £'000
Final dividend for the year ended 31 December 2018 – 2.0p to be paid on 16 May 2019	**413**	–
Final dividend for the year ended 31 December 2017 – 5.5p to be paid on 17 May 2018	**–**	1,135
Interim dividend for the year ended 31 December 2017 – 13.5p paid on 15 December 2017	**–**	2,787
	413	3,922

11. Return per ordinary share

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

	2018 £'000	2017 £'000
Revenue return	**177**	3,927
Capital return	**5,849**	20,204
	6,026	24,131
Weighted average number of shares in issue	**20,644,062**	20,644,062

12. 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 II, Dunedin Buyout Fund III, Equity Harvest Fund and Dunedin Fund of Funds LP. The table below details Dunedin Enterprise's investment holdings by fund entity.

	2018 £'000	2017 £'000
Direct	**319**	8,884
Dunedin Buyout Fund LP	**–**	34
Dunedin Buyout Fund II LP	**35,714**	33,800
Dunedin Buyout Fund III LP	**27,246**	12,882
Equity Harvest Fund LP	**1,851**	2,023
Dunedin Fund of Funds LP	**10,200**	9,600
	75,330	67,223
'AAA' rated money market funds and cash deposits	**2,101**	23,467
	77,431	90,690

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

	2018 £'000	2017 £'000
Unlisted UK investments	**65,130**	57,623
Unlisted European investments	**10,200**	9,600
'AAA' rated money market funds and cash deposits	**2,101**	23,467
	77,431	90,690

Funds realised from listed and unlisted investments have been utilised to make investments in 'AAA' rated money market funds.

12. Investments continued

Valuation of financial instruments

The Company 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 inputs that are not based on observable market data (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.

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:

	2018 £'000	2017 £'000
Level 1		
'AAA' rated money market funds and cash deposits	**2,101**	23,467
Level 2	**–**	–
Level 3		
Unlisted investments	**75,330**	67,223
	77,431	90,690

The following shows a reconciliation from the beginning to the end of the year for fair value measurements in Level 1 and Level 3 of the fair value hierarchy.

	Level 3 UK Unlisted £'000	**Level 3 European Unlisted £'000**	**Level 1 'AAA rated money market funds £'000**	**Total £'000**
Book cost at 31 December 2017	78,394	7,581	23,467	109,442
Unrealised appreciation/(depreciation)	(20,771)	2,019	–	(18,752)
Valuation at 31 December 2017	57,623	9,600	23,467	90,690
Purchases at cost	13,942	162	47	14,151
Sales – proceeds	(11,251)	(1,014)	(21,413)	(33,678)
Sales – realised gain on sales	546	–	–	546
Increase in unrealised appreciation	4,270	1,452	–	5,722
Valuation at 31 December 2018	65,130	10,200	2,101	77,431
Book cost at 31 December 2018	81,631	6,729	2,101	90,461
Closing unrealised appreciation/(depreciation)	(16,501)	3,471	–	(13,030)

12. Investments continued

There have not been any movements between the levels of the fair value hierarchy during the year.

	Level 3 UK Unlisted £'000	Level 3 European Unlisted £'000	Level 1 'AAA rated money market funds £'000	Total £'000
Book cost at 31 December 2016	96,002	17,386	1,008	114,396
Unrealised appreciation/(depreciation)	(14,148)	4,568	–	(9,580)
Valuation at 31 December 2016	81,854	21,954	1,008	104,816
Purchases at cost	9,393	385	42,117	51,895
Sales – proceeds	(53,142)	(13,794)	(19,658)	(86,594)
Sales – realised gain on sales	26,141	3,604	–	29,745
Increase in unrealised depreciation	(6,623)	(2,549)	–	(9,172)
Valuation at 31 December 2017	57,623	9,600	23,467	90,690
Book cost at 31 December 2017	78,394	7,581	23,467	109,442
Closing unrealised appreciation/(depreciation)	(20,771)	2,019	–	(18,752)

	2018 £'000	2017 £'000
Realised gains based on cost	**546**	29,745
Unrealised (appreciation)/depreciation recognised in prior years	**812**	(16,373)
	1,358	13,372
Increase in unrealised appreciation	**4,910**	7,201
Other movements	**1**	–
Total gains on investments	**6,269**	20,573

Included within unlisted investments are investments valued at £37,565,540 (2017: £45,109,058) where the Company's interest is between 20% and 50% of the equity. These investments have been accounted for at fair value through profit or loss as set out in Note 2(a).

Significant interests

(a) At 31 December 2018, 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	% of equity held directly and through funds	Latest available accounts	Share capital & reserves £'000	EBITDA £'000
Dunedin Buyout Fund II LP	Scotland	29.7	29.7	31.12.18	n/a	n/a
Equity Harvest Fund LP	England	47.4	47.4	31.12.18	n/a	n/a
Premier Hytemp Topco Limited	Scotland	–	20.8	30.09.17	(16,756)	(981)
Red Topco Limited	England	–	20.1	31.03.18	(24,273)	3,425

12. Investments continued

(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
Batson Topco Limited	England	–	12.4
Dunedin Buyout Fund III LP	Scotland	19.6	19.6
EV Holdings Limited	England	–	10.6
Formaplex Group Limited	England	–	19.4
Hawksford International Limited	Jersey	–	17.8
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.

13. Other receivables

	2018 £'000	2017 £'000
Prepayments	**66**	135
Other debtors	**5,665**	897
	5,731	1,032

14. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Accruals	**83**	175
Other creditors	**1,489**	–
	1,572	175

A revolving credit facility of £10m is available to the Company until 31 May 2019. The rate of interest on the revolving credit facility is 2.5% above LIBOR.

15. Called-up share capital

Ordinary Shares

	Nominal No. '000	**31 December 2018 £'000**	Nominal No. '000	31 December 2017 £'000
Allotted, called-up and fully paid ordinary shares:				
At 1 January 2018 and 31 December 2018	**20,644**	**5,161**	20,644	5,161

B Shares

	Nominal No. '000	**31 December 2018 £'000**	Nominal No. '000	31 December 2017 £'000
Allotted, called-up and fully paid B shares:				
At 1 January 2018	**–**	**–**	–	–
Issued during the year	**41,288**	**20,644**	41,288	20,644
Repurchased during the year	**(41,288)**	**(20,644)**	(41,288)	(20,644)
At 31 December 2018	**–**	**–**	–	–

15. Called-up share capital continued

The capital of the Company is managed in accordance with its investment policy and objectives which are detailed in the Strategic Report on page 24.

During the year ended 31 December 2018, 20,644,062 B shares were issued fully paid by way of bonus issue at nominal value of 50p per share on 5 February 2018. These B Shares were redeemed at their nominal value on 5 February 2018 at cost of £10.3m.

On 9 October 2018 a further 20,644,062 B shares were issued fully paid by way of bonus issue at a nominal value of 50p per share on 9 October 2018. These B shares were redeemed at their nominal value on 9 October 2018 at cost of £10.3m.

At 18 March 2019 no ordinary shares have been repurchased since 31 December 2018. 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.

16. Reserves

Company	Share Capital £'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 2017	5,161	23,409	26,956	57,936	(18,752)	6,278	72,418	100,988
Issue of B shares	20,644	(20,644)	–	–	–	–	–	–
Redemption of B shares	(20,644)	20,644	(20,644)	–	–	–	(20,644)	(20,644)
Net revenue for the year	–	–	–	–	–	177	177	177
Transfer on disposal of investments	–	–	–	(812)	812	–	–	–
Net gain/(loss) on realisation of investments	–	–	–	1,359	–	–	1,359	1,359
Revaluation movements	–	–	–	–	4,910	–	4,910	4,910
Management fees charged to capital	–	–	–	(148)	–	–	(148)	(148)
Finance costs charged to capital	–	–	–	(197)	–	–	(197)	(197)
Dividends paid	–	–	–	–	–	(1,135)	(1,135)	(1,135)
Tax effect of capital items	–	–	–	38	–	–	38	38
Other movements	–	–	–	(113)	–	–	(113)	(113)
At 31 December 2018	**5,161**	**23,409**	**6,312**	**58,063**	**(13,030)**	**5,320**	**56,665**	**85,235**

17. Net asset value per share

The net asset value per share is calculated on shareholders' funds of £85,235,463 (2017: £100,988,087) and on 20,644,062 ordinary shares in issue at the year end (2017: 20,644,062).

18. Capital commitments

There were outstanding capital commitments of £19.4m (2017: £44.3m) in respect of investments at the end of the year.

Outstanding capital commitments are as noted below: -

	2018 £'000	2017 £'000
Dunedin Buyout Fund II LP	**5,135**	7,039
Dunedin Buyout Fund III LP	**13,679**	34,904
Equity Harvest Fund LP	**–**	–
Innova/5 LP	**–**	1,547
Realza Capital FCR	**602**	761
	19,416	44,251

19. Contingencies

There were no contingent liabilities at the year end (2017: £nil).

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 12 to 22. The Company's overall market positions are monitored by the Manager on an ongoing basis and by the Board quarterly.

Market risk sensitivity

88% (2017: 74%) of the Company's net assets are invested in unquoted companies. The fair value of the unlisted companies is influenced by estimates, assumptions and judgements made in the fair valuation process (see note 4 on pages 52 to 53). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs. The sensitivity analysis below applies a wider range of input variable sensitivity to the earnings multiple methodology as it involves more significant subjective estimation than the recent transaction or net asset value method (the risk of over or under estimation is higher due to the greater subjectivity involved, for example, in selecting the most relevant measure of maintainable earnings and identifying comparable multiples and the level of discount applied to those multiples).

As at 31 December 2018

	Fair value of investments £'000	Variable Input Sensitivty (%)	Impact £'000	% of Net Assets
Earnings multiple	48,699	±10	±7,334	±8.6
Net assets	23,761	±20	±6,284	±7.4
Recent transaction	9,350	±10	±935	±1.1

As at 31 December 2017

	Fair value of investments £'000	Variable Input Sensitivty (%)	Impact £'000	% of Net Assets
Earnings multiple	50,918	±10	±7,984	±7.9
Net assets	21,084	±20	±6,044	±6.0
Recent transaction	–	±10	–	–

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.

20. Financial instruments and associated risks continued

Financial Assets of the Group

31 December 2018 Currency	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Sterling	61,868	5,746	2,943	70,557
Euro	4,964	–	5,555	10,519
Total	66,832	5,746	8,498	81,076

31 December 2017 Currency	Fixed rate £'000	Floating rate £'000	Nil rate £'000	Total £'000
Sterling	56,778	32,907	409	90,094
Euro	4,675	–	5,362	10,037
Total	61,453	32,907	5,771	100,131

The fixed rate assets comprise fixed rate lendings to investee companies. Fixed rate lendings have a weighted average interest rate of 9% per annum (2017: 9%) and a weighted average life to maturity of 2.7 years (2017: 2.5 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 floating 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:

	2018 £'000	2017 £'000
Unquoted debt	**66,832**	61,453
AAA rated cash OEICs	**2,101**	23,467
Cash deposits	**3,645**	9,441
Total	**72,578**	94,361

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 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. The Company has access to a £10m borrowing facility. 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.

20. Financial instruments and associated risks continued

Currency Rate Sensitivity
At 31 December 2018, if Sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis is performed on the same basis for 2017.

	2018 £'000	2017 £'000
Euro	348	529
Total	348	529

21. Investments in unconsolidated entities

Details of the undertakings which were unconsolidated subsidiaries held at 31 December 2018 and 31 December 2017 are listed below:

Name:	Dunedin Fund of Funds LP
Direct or indirect holding:	Direct
Country of incorporation:	Scotland
Principal activity:	Private equity fund of funds
Proportion of share:	100%

	Dunedin Fund of Funds LP £'000
Valuation at 31 December 2017	9,600
Net capital movements	(852)
Valuation movements	1,452
Valuation at 31 December 2018	10,200

22. Related party transactions

The Company has investments in Dunedin Buyout Fund II LP, Dunedin Buyout Fund III LP, Dunedin Fund of Funds LP and Equity Harvest Fund LP. Each of these limited partnerships are managed by Dunedin. The Company has paid a management fee of £0.7m (2017: £1.5m) in respect of these limited partnerships. The total investment management fee payable by the Company to the Manager is therefore £0.9m (2017: £1.6m).

Since the Company began investing in Dunedin Buyout Funds ("the Funds") executives of the Manager 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 and Dunedin Buyout Fund III LP the economic interest of the Manager is aligned with that of the limited partner investors by co-investing in this fund.

As at 31 December 2018 there is a provision made within Investments for carried interest of £5.1m (2017: £4.0m) relating to Dunedin Buyout Fund III LP and £1.4m (2017: £1.3m) relating to Equity Harvest Fund LP. Current executives of the Manager are entitled to 85% of the carried interest in Dunedin Buyout Fund III LP and 14% of the carried interest in Equity Harvest Fund LP.

Brian Finlayson has an interest in the carried interest scheme of Dunedin Buyout Fund and received £749 from that scheme during 2018. The Dunedin Buyout Fund has now been liquidated.

Management Fees (unaudited)

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
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 alternative investment fund management agreement is 12 months. No compensation payment is payable by the Company to the Manager on termination except where: (i) the Company notifies the Manager of an intended breach of, or change to, any value of the agreed thresholds and profiles and in the opinion of the Manager, the intended breach or proposed change in value is such that it would cause the Manager to be in breach of, or otherwise become unable to comply with, its obligations under the AIFMD Rules; or (ii) the Manager notifies the Company of any proposed change to any value of the agreed thresholds and profiles expressly required by the FCA and the Company does not agree to the proposed change, in which case the Manager is entitled to receive an amount equal to the remuneration it would have received had the full 12 months' termination notice been given.

Notice of Annual General Meeting ("AGM")

Notice is hereby given that the forty-fourth Annual General Meeting of the shareholders of Dunedin Enterprise Investment Trust PLC will be held at 2.00 pm on 8 May 2019 at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 9, 11 and 12 will be proposed as ordinary resolutions and resolutions 10, 13 and 14 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 2018.

2. To approve the Directors' remuneration report for the year ended 31 December 2018.

3. To declare a final dividend for the year ended 31 December 2018.

4. To re-elect Angela Lane as a Director.

5. To re-elect Duncan Budge as a Director.

6. To re-elect Brian Finlayson as a Director.

7. To re-elect Michael Meyer Jensen as a Director.

8. To re-appoint KPMG LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

9. To authorise the Directors to fix the remuneration of the auditors.

Special Business

10. That the draft articles of association produced to the meeting and signed by the Chairman (the "**New Articles of Association**") be approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, all existing articles of association of the Company to take effect immediately.

11. That conditional upon the New Articles of Association being adopted pursuant to resolution 10 above, the directors be generally and unconditionally authorised pursuant to article 163 of the New Articles of Association to capitalise from time to time a sum or sums not exceeding, at each relevant time, the aggregate amount then standing to the credit of the Company's reserves available for the purpose of making an issue of unlisted redeemable fixed rate preference shares of 1 pence each in the capital of the Company carrying the rights and restrictions set out in article 163 of the New Articles of Association ("**B shares**") in accordance with the Companies Act 2006 and the New Articles of Association and to apply such sum or sums from time to time in paying up in full up to 15,871,187,600 B shares which may be allotted from time to time pursuant to the authority given by resolution 12 below.

12. That, conditional upon resolutions 10 and 11 above being approved and, in substitution for any existing authority, pursuant to section 551 of the Companies Act 2006, the directors be generally and unconditionally authorised to exercise all powers of the Company to allot and issue from time to time, credited as fully paid up, B shares up to an aggregate nominal amount of £158,711,876 (being the remainder of the aggregate nominal amount of £200,000,000 that may be allotted, (as approved on 11 May 2017) following the allotment of B shares on 4 December 2017, 5 February 2018 and 9 October 2018) to the holders of ordinary shares of 25p each in the capital of the Company on a *pro rata* basis as determined by the Directors from time to time. Unless previously varied, revoked or renewed, this authority shall expire at the conclusion of the Annual General Meeting of the Company in 2020 (save that the Company may, before the expiry of any power contained in this resolution, make any offer or agreement which would or might require B shares to be allotted after such expiry and the Directors may allot B shares in pursuance of such offer or agreement as if the power conferred hereby had not expired).

13. That, in substitution for any existing authority, 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(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company provided that:

    (i) the maximum number of ordinary shares hereby authorised to be purchased is 3,094,545;

    (ii) the minimum price which may be paid for an ordinary share shall be 25 pence (excluding expenses);

    (iii) the maximum price (exclusive of expenses) which shall be paid for an ordinary share shall be not more than the higher of: (i) 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; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue.

    (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 varied, 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.

14. That a general meeting other than an annual general meeting may be called at not less than 14 clear days' notice.

By Order of the Board

Dunedin LLP
Secretary
28 March 2019

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 adviser 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 adviser.

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. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. 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. Appointment of a proxy does not preclude a member from attending the meeting and voting in person.

4. To appoint a proxy using the enclosed Form of Proxy, it must be lodged by 2.00 pm on 3 May 2019 with the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The notes to the Form of Proxy explain how to direct your proxy how to vote on each resolution or withhold their vote.

5. There are special arrangements for holders of shares through the Alliance Trust Savings 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 6.30pm on 3 May 2019. 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. In the case of joint holders, the vote of the senior holder who tenders a vote shall be accepted to the exclusion of the votes of the other joint holder(s). Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

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 28 March 2019 (being the last practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 20,644,062 ordinary shares of 25 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 28 March 2019 are 20,644,062.

10. Any member attending the AGM has the right to ask questions. Pursuant to Section 319A of the Companies Act 2006, the Company must provide an answer to any question which is put by a member relating to the business being considered, except if a response would not be in the interests 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 and shares of each class 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. A request (i) must identify the statement to which it relates; (ii) must be authenticated by the person making it; (iii) must be received by the Company at least one week before the AGM. Members seeking to do this should write to the Company at its registered office 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 2.00 pm on 3 May 2019 (excluding any parts of the day that is not a business day), or in the event of an adjournment of the meeting, 48 hours before the adjourned meeting. 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/her 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.

    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.

17. 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.

18. 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 log onto your portfolio using your usual ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions. 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 2.00 pm on 3 May 2019 (excluding any parts of the day that is not a business day).

19. Under Section 338 of the Companies Act 2006, a member 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 request must identify the resolution to which notice is to be given; (iv) the resolution must be received by the Company not later than 6 weeks before the Annual General Meeting; (v) the resolution must be authenticated by the person making it; and (vi) members seeking to do this should write to the Company at its registered office providing their full name and address.

20. Under Section 338A of the Companies Act 2006, a member 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.

21. Copies of the letters of appointment for directors and the Company's proposed new articles of association, together with a copy of the existing articles of association of the Company marked to show the changes being proposed, will be available for inspection at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF from the date of this notice until the conclusion of the Annual General Meeting and at the Annual General Meeting itself for at least 15 minutes prior to the beginning of the meeting until the end of the meeting.

Information for Investors

Dunedin Enterprise is managed by Dunedin. Dunedin is authorised and regulated by the Financial Conduct 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 is 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. 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.

Details of the Alliance Trust Savings products are noted below:
Alliance Trust Savings – Individual Savings Account (ISA) is a tax-efficient savings vehicle. Since 6 April 2017 the ISA subscription limit has been £20,000. The monthly administration charge for an Alliance Trust Savings ISA is £10.

Alliance Trust Savings – Investment Dealing Account (IDA) offers a means of investing in Dunedin Enterprise outside a tax efficient wrapper. The monthly administration charge for an Alliance Trust Savings IDA is £10.

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 online regular monthly payments is £1.50 and £5 for offline payments instructed by post. Investors may also make one-off investments by dealing online or by post/telephone. There is a maximum online dealing charge of £9.99 and a postal/telephone dealing charge of £50 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 Alliance Trust Savings consider the IDA and ISA to be a medium to long term investment, 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
Website www.alliancetrustsavings.co.uk
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: 0371 384 2440
International: +44 121 415 7047
Website: www.shareview.co.uk

Important Information
Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- If bank borrowing is unavailable then investment activity will be curtailed.
- 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 purchased 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 68 to 69 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; is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, firm reference number 116115. Alliance Trust Savings 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 Conduct 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.

Glossary of Terms and Definitions and Alternative Performance Measures

Buy-out fund
A fund which acquires stakes in established unquoted companies.

Commitment
The amount committed by the Company to a fund investment, whether or not such amount has been advanced in whole or in part by or repaid in whole or in part to the Company.

Distribution
A return that an investor in a private equity fund receives.

Draw down
A portion of a commitment which is called to pay for an investment.

EBITDA
Earnings before interest expense, taxes, depreciation and amortisation.

Enterprise value (EV)
The value of the financial instruments representing ownership interests in a company plus the net financial debt of the company.

Net Asset Value ("NAV") per Ordinary Share
The value of the Company's assets and cash held less any liabilities for which the Company is responsible divided by the number of shares in issue.

NAV Total Return
The NAV total return is calculated by adding dividends and capital returned in the period to the increase or decrease in the net asset value. The dividends or capital returned are assumed to be re-invested in the quarter that the dividend or capital return is paid.

Ongoing Charges
Management fees and all other recurring operating expenses that are payable by the Company excluding the costs of purchasing and selling investments, finance costs, taxation, non-recurring costs and costs of returning capital to shareholders, expressed as a percentage of the average net asset value during the period.

Premium/Discount
The amount by which the market price per share of an investment company is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

Secondary transaction
The purchase or sale of an investment and its undrawn commitment (if any) to a fund or collection of fund interests in the market.

Share buy-back transaction
The repurchase by the Company of its own shares which will reduce the number of shares on the market.

Share price total return
The share price total return is calculated by adding dividends and capital returned in the period to the increase or decrease in the share price. The dividends or capital returned are assumed to be re-invested on the day the share price goes es-dividend.

See page 25 for details of the Company's key performance indicators ("KPI's") and how the Directors assess some of these Alternative Performance Measures.

AIFMD Disclosures (unaudited)

Dunedin is required to make certain periodic disclosures to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the www.dunedinenterprise.com. There have been no material changes to the disclosures contained within the PIDD since first publication on 6 March 2017.

The periodic disclosures as required under the AIFMD to investors are made below:

- None of the Company's assets are subject to special arrangements arising from their illiquid nature;

- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity risk management systems of Dunedin;

- The current risk profile of the Company and the risk management systems employed by Dunedin to manage those risks are found in the PIDD. The risk limits set by Dunedin have not been exceeded; and

- In accordance with the requirements of AIFMD, Dunedin has put in place a compliant remuneration policy, which is available from the Company Secretary on request. The Company Secretary can be contacted at Dunedin LLP, Saltire Court, 20 Castle Terrance, Edinburgh, EH1 2EN. All remuneration disclosures required will be included in the annual report of the Company for the year ending 31 December 2018 following completion of Dunedin's first full performance period to 31 March 2018.

The table below sets out the current maximum permitted limit and actual level of leverage for the Company.

	Gross Method	Commitment Method
Maximum level of leverage	1.2:1	1.2:1
Actual level as at 31 December 2018	1:1	1:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information required to be disclosed to investors under AIFMD will be notified via a regulatory news service without undue delay.

Financial Calendar

Announcements, dividend payments and the issue of the annual and interim reports for the year ended 31 December 2018 and half year end 30 June 2019 can be expected in the months shown below:

March
Year end results and final dividend for the year announced.

April
Report and accounts published.

May
Annual General Meeting held and payment of final dividend.

September
Interim report for half year to 30 June published.

A preliminary announcement of unaudited net asset value for each quarter will be made around one month following the quarter end.

Corporate Information

Directors
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Brian Finlayson
Michael Meyer Jensen
Angela Lane

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