

Dunedin Enterprise Investment Trust PLC

Half Year Report 2020

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.

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Financial Highlights

Net asset value total return: -13.4%

Share price total return: -29.4%

Net asset value per share at 30 June 2020: 379.8p (444.4p at 31/12/19), after 5p dividend

Share price at 30 June 2020: 263p (376p at 31/12/19)

Realisations: £13.9m in the half year

Proposed tender offer of £10m

£115.6m returned to shareholders since 2012

Comparative Total Return Performance

Periods to 30 June 2020	Net Asset value (per share)	Share price	FTSE Small Cap (ex Inv Cos) Index	FTSE All-Share (ex Inv Cos) Index
Six months	-13.4%	-29.4%	-20.9%	-18.8%
One year	-4.0%	-27.3%	-12.3%	-13.9%
Three years	23.4%	41.1%	-14.8%	-5.9%
Five years	34.2%	72.4%	5.4%	13.2%
Ten years	72.9%	139.7%	131.4%	88.5%

Chairman's Statement

The total return in the half year to 30 June 2020 was -13.4% and -29.4% in terms of net asset value per share and share price respectively. This is stated after allowing for a final dividend for 2019 of 5.0p paid in May 2020. Your Company's net asset value per share decreased from 444.4p to 378.9p in the half year.

The share price of 263p at 30 June 2020 represented a discount of 30.6% to the net asset value of 378.9p per share. The share price currently stands at 309p.

Coronavirus

The significant disruption resulting from the coronavirus has affected each of our portfolio companies to varying degrees. Your Manager has representation on the Board of each portfolio company and maintains regular contact to monitor the impact on trading and financial stability. Each company has implemented plans to mitigate the impact of the coronavirus, including furlough schemes, redundancies, re-negotiation of banking terms and payment holidays on HP contracts.

Portfolio

During the half year there were two follow-on investments. An additional £0.6m was invested in Red, the supplier of SAP software experts, and £0.4m in GPS, the payments processing platform.

Kingsbridge, the provider of insurance services to contractors, was realised generating £10.4m and a return of 3.2 times original cost. A refinancing was completed at FRA, the forensic accounting, data analytics and e-discovery business, generating proceeds of £4.0m. Following the half year end a refinancing was completed at Hawksford, a leading provider of corporate, private client and fund services, generating proceeds of £6.9m. The refinancing is subject to regulatory approval which is expected to take around six months.

Overall, the trading performance of the portfolio has been impacted by the coronavirus and the resulting disruption to economic activity. Unrealised valuation increases of £4.2m were offset by value decreases of £16.5m. Valuation uplifts were achieved at GPS, Premier Hytemp and Incremental, offset by reductions in the valuations of Formaplex, Hawksford, FRA, EV, Red and U-POL. Further details are provided in the Manager's Review.

Cash, Commitments & Liquidity

At 30 June 2020 the Company held cash and near cash equivalents totalling £25m. There are outstanding commitments to limited partnership funds

of £21.0m at 30 June 2020, consisting of £20.2m to Dunedin managed funds and £0.8m to Realza. In July 2020 a further £0.9m was drawn down by Dunedin Buyout Fund II LP leaving outstanding commitments of £20.1m. Assuming these funds are held to maturity, it is estimated that only £9m of this total outstanding commitment will be drawn over the remaining life of the funds to meet follow-on investments and ongoing expenses.

The Company has a revolving credit facility with Lloyds Bank of £5m which was undrawn at 30 June 2020 and is available until 31 May 2021.

Tender Offer

The Board is proposing to undertake a tender offer of £10m in November 2020. Shareholders will be provided with details of the tender offer in mid-October. The tender offer replaces the B Share scheme previously operated by the Company as the preferred route for making capital distributions as the Company now has insufficient capital reserves available to issue B shares for new consideration.

The amount being returned is prudent but appropriate taking into account the uncertainties prevalent at this time.

Dividends

A final dividend of 5.0p per share relating to the year ended 31 December 2019 was paid to shareholders in May 2020 amounting to £1.0m.

Outlook

The disruption and ongoing uncertainty created by the pandemic continues to be the main focus for portfolio companies. While each portfolio company has implemented plans, where possible, to address this threat, the generally strong financial position of portfolio companies has provided some protection.

Whilst there is continued uncertainty regarding the UK's ongoing relationship with the EU, the Board does not expect there to be any significant impact from Brexit on the operations of the Company. Each portfolio company has developed contingency plans to mitigate a variety of Brexit scenarios.

The Board welcomes the realisations achieved to date this year and will continue to return capital to shareholders wherever practicable following the realisation of investments.

Duncan Budge

21 September 2020

Manager's Review

Results for the six months to 30 June 2020

In the six months to 30 June 2020, the net asset value per share total return was -13.4%, after taking account of dividends paid for 2019 of 5.0p per share (paid in May 2020). This compares with a decrease in the FTSE Small Cap Index (ex Inv. Cos) over the same period of 23.9%.

In the six months to 30 June 2020 the Company invested a total of £1.5m and realised £13.9m from investments.

Net asset and cash movements in the half year to 30 June 2020

The movement in net asset value is summarised in the table below:-

	£'m
Net asset value at 31 December 2019	91.7
Unrealised value increases	4.2
Unrealised value decreases	(16.5)
Realised profit over opening valuation	(0.5)
Dividends paid to shareholders	(1.0)
Other movements	0.5
Net asset value at 30 June 2020	78.4

Cash movements in the half year to 30 June 2020 can be summarised as follows:-

	£'m
Cash & near cash balances at 31 December 2019	12.3
Investments made	(1.5)
Investments realised	13.9
Dividends paid to shareholders	(1.0)
Release of un-used drawdown by Dunedin Buyout Fund III	0.8
Operating activities	0.5
Cash & near cash balances at 30 June 2020	25.0

Portfolio composition and movements

Dunedin Enterprise holds investments in unquoted companies through:-

- Dunedin managed funds, and
- Third party managed funds.

The portfolio movements can be analysed as shown in the table below:-

	Valuation at 31-12-19 £'m	Additions in half year £'m	Disposals in half year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 30-6-20 £'m
Dunedin managed	75.9	1.5	(13.8)	(0.5)	(12.7)	50.4
Third party managed	4.6	–	(0.1)	–	0.4	4.9
Investment portfolio	80.5	1.5	(13.9)	(0.5)	(12.3)	55.3
AAA rated money market funds (excluding costs on deposit)	8.6	12.6	–	–	–	21.2
Total	89.1	14.1	(13.9)	(0.5)	(12.3)	76.5

Investment activity

During the six months to 30 June 2020 a follow-on investment of £0.6m was made in RED, the supplier of SAP software experts, to provide working capital support. A further £0.4m was invested in GPS, the payments processing business, to facilitate the company's ongoing development of its payments processing platform.

A further £0.3m was drawn down by Dunedin and third-party managed funds to meet management fees and ongoing expenses.

Realisations

In the half year a total of £13.9m was realised from the portfolio of investments.

In March 2020 Kingsbridge, the provider of insurance services to contractors, was realised. A total of £10.4m was received by Dunedin Enterprise consisting of £10.2m capital and £0.2m income. The investment was valued at this level at 31 December 2019. The investment was originally made in May 2016 at a cost of £4.2m. Over the lifetime of the investment Dunedin Enterprise realised proceeds of £13.6m which represents a return of 3.2x cost. The transaction includes a two year earn-out which may generate further proceeds for the Company; no value has been placed on this.

In February 2020 a further re-financing of FRA, the forensic accounting, data analytics and e-discovery business, was completed. A total of £4.0m was received by Dunedin Enterprise, consisting of £3.5m capital and £0.5m income. This was the second refinancing undertaken by FRA. A total of £5.5m has been generated from the two refinancings which compares to an original cost of £6.0m.

Following the half year end in August 2020 Hawksford, a leading provider of corporate, private client and fund services, completed a refinancing. Proceeds from the re-financing will amount to £6.9m, consisting of capital of £6.3m and income of £0.6m. The investment in Hawksford was valued at £6.9m at 30 June 2020. Proceeds from the refinancing are dependent upon regulatory approval being received in both Jersey and Singapore. This is expected to take around six months. Dunedin Enterprise will also retain a 5% interest in Hawksford.

Unrealised movements in valuations

Unrealised valuation increases in the half year amounted to £4.2m. There were valuation uplifts at GPS (£1.0m), Premier Hytemp (£0.4m) and Incremental (£0.4m). There was also a reduction in the carried interest payable on Dunedin Buyout Fund III and Equity Harvest Fund totalling £2.0m.

GPS has shown revenue growth of 7% in the year to date. This is in spite of the impact of coronavirus on the level of revenue generating transactions. The company has been protected from coronavirus by agreements which stipulate a base level of fee income and new business wins. The company continues to accelerate its investment in technology and developing its presence in Singapore and the Asia-Pacific. This will help it to secure key market opportunities and larger, more established clients.

Premier Hytemp, the provider of highly engineered components to the oil and gas industry, has achieved revenue growth of 49% in the year to date. In spite of the fall in the oil price during coronavirus the company has seen a strong order book in both the UK and Singapore.

Incremental, the provider of design, implementation and management of IT infrastructures, has shown revenue growth of 10% in the year to date. Although the company has grown revenue over the past 12 months margins have been impacted by an accelerated investment in staff numbers. The company currently has a record high order book which reflects a desire from customers to move increasingly towards a cloud/digital based IT environment post coronavirus.

The principal valuation reductions were at Formaplex (£3.1m), Hawksford (£3.1m), FRA (£2.6m), EV (£2.5m), Red (£2.0m) and U-POL (£1.5m).

Formaplex, the provider of tooling and lightweight components, principally services high end automotive producers. As a result of the coronavirus the factories of automotive producers have been closed for periods of between one and three months. The factories are now reopening but at much reduced levels of production. This has had a direct impact on trading at Formaplex where management are managing costs closely, including redundancies and staff furlough. Given the reduction in the profitability of the company the valuation has reverted to a net assets basis, leading to a reduction in value.

Hawksford has been valued at the proceeds to be received from a refinancing of the company undertaken in August 2020 which is dependent upon regulatory approval. This is expected to take around six months. Dunedin Enterprise will also retain a 5% interest in Hawksford. No value has been attributed to this at 30 June 2020.

FRA has experienced a slowdown in new business wins during the coronavirus outbreak. Utilisation rates have been lower than normal, leading management to take actions to rationalise costs including utilisation of the furlough scheme, staff redundancies and the closure of

one office. FRA has continued to win new work although the start date for new projects in some cases has been delayed by the impact of coronavirus.

EV, the provider of high performance, video cameras and other visualisation technology used in the oil and gas industry, has experienced a significant impact to trading from the fall in the price of oil. Turnover has decreased 46% in the year to date. Management has taken action to reduce costs, learning the lessons from previous periods of oil price volatility. The company has also successfully re-negotiated the terms of its banking package.

Red has experienced an 8% drop in net fee income in the year to date. The contract side of the business has held up well; however a number of new projects have been put on hold for the time being. The permanent appointment side of the business, which typically represents 14% of net fee income, has been significantly impacted by the coronavirus with companies reluctant to make permanent appointments until the full impact of the virus is known.

U-POL, the manufacturer of automotive refinish products, has experienced a 12% drop in revenue in the year to date. The impact of distributors and car body shops being closed due to coronavirus has been partially offset by online and retail sales in the US.

The average earnings multiple applied to the valuation of the Dunedin managed portfolio was 9.0x EBITDA (31 December 2019: 9.1x). These multiples are applied to the maintainable earnings of portfolio companies. Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.9x EBITDA (31 December 2019: 2.8x).

The portfolio continues to be valued in accordance with the International Private Equity Venture Capital valuation guidelines (www.privateequityvaluation.com).

Coronavirus

The Coronavirus has created significant disruption around the world which, to varying degrees, has had an impact on each of the portfolio companies. Your Manager has representation on the Board of each portfolio company. Regular contact is maintained with the portfolio companies to monitor the impact of the coronavirus on trading and financial stability. Each portfolio company has developed a contingency plan to mitigate the impact of the coronavirus and the measures implemented have included: staff being placed on furlough, redundancies, re-negotiation of banking terms and payment holidays on HP contracts. The contingency plans will continue to evolve as the impact of the coronavirus becomes clearer

Brexit

Your Manager has a representative on the Board of each Dunedin managed portfolio company which meets regularly and continues to assess the impact of Brexit on their business, developing contingency plans to mitigate a variety of Brexit scenarios. These plans are kept under constant review as the outcome of Brexit negotiations evolve.

Dunedin LLP

21 September 2020

Ten Largest Investments

by value at 30 June 2020

Company name	Approx. percentage of equity %	Cost of investment £'000	Directors valuation £'000	Percentage of net assets %
FRA	5.2	1,413	12,323	15.7
GPS	8.5	7,739	11,527	14.7
Weldex	15.1	9,505	8,283	10.6
RED	20.1	10,259	7,891	10.1
Hawksford	17.8	6,746	6,944	8.9
Realza	8.9	4,256	4,694	6.0
U-POL	5.0	5,657	4,450	5.7
Premier Hytemp	23.0	10,136	2,978	3.8
Incremental	8.2	3,042	1,961	2.5
EV	10.6	8,321	1,110	1.4
		67,074	62,161	79.4

Total return of ten largest investments

at 30 June 2020

Company name	Original cost of investment £'000	Realised to date* £'000	Directors valuation £'000	Total return £'000
FRA	6,035	5,504	12,323	17,827
GPS	7,739	–	11,527	11,527
Weldex	9,505	119	8,283	8,402
RED	10,844	1,405	7,891	9,296
Hawksford	6,910	293	6,944	7,237
Realza	11,545	11,651	4,694	16,345
U-POL	5,657	2,590	4,450	7,040
Premier Hytemp	10,136	178	2,978	3,156
Incremental	3,042	–	1,961	1,961
EV	8,321	–	1,110	1,110
	79,734	21,740	62,161	83,901

* – dividends and capital

Top ten investments (held via funds and direct investments)



Percentage of equity held	5.2%
Cost of Investment	£1.4m
Directors' valuation	£12.3m
Percentage of net assets	15.7%

FRA

FRA is an international consultancy business that provides forensic accounting, data analytics and e-discovery expertise, helping businesses respond to major 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, Dallas, New York, Washington DC, Paris, Helsinki and Stockholm. It also runs data centres near each office location as well as in Montreal and Zurich.

In January 2019 a refinancing of the business was undertaken with Dunedin Enterprise receiving proceeds of £1.8m. FRA was then refinanced for the second time in February 2020, returning a further £4m in proceeds.



Percentage of equity held	8.5%
Cost of Investment	£7.7m
Directors' valuation	£11.5m
Percentage of net assets	14.7%

GPS

Global Processing Services ("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.

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. It has recently signed a strategic Partnership with Visa to provide fintech clients with payments technology in the Asia Pacific region.

WELDEX

Percentage of equity held	15.1%
Cost of Investment	£9.5m
Directors' valuation	£8.3m
Percentage of net assets	10.6%

Weldex

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 some 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. A recent project was the Viinamaki Wind Farm in Finland where cranes were supplied for the installation of the highest all steel wind turbines to date.

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.



Percentage of equity held	20.1%
Cost of Investment	£10.3m
Directors' valuation	£7.9m
Percentage of net assets	10.1%

RED

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. The SAP after sales service market is estimated to be \$20bn per annum.

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.

Hawksford

Percentage of equity held	17.8%
Cost of Investment	£6.7m
Directors' valuation	£6.9m
Percentage of net assets	8.9%

Hawksford

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 now have access to a greater depth of services across Asia, while P&P clients are able to utilise Hawksford's wider services in other locations. As a result of the SH Landes acquisition, Hawksford can now provide specialist corporate services from its central London offices.

To date Hawksford has completed six major acquisitions in Jersey, 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.

Refinancing undertaken in August 2020 which is subject to regulatory approval.



Percentage of equity held	8.9%
Cost of Investment	£4.3m
Directors' valuation	£4.7m
Percentage of net assets	6.0%

Realza Capital

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 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.

Realza has two investments remaining:-

- a manufacturer of water pumps for the automotive industry; and
- a producer of premium tomatoes.



Percentage of equity held	5.0%
Cost of Investment	£5.7m
Directors' valuation	£4.4m
Percentage of net assets	5.7%

U-POL

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 steadily 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.

In August 2016 a re-financing of the business was undertaken with Dunedin Enterprise receiving proceeds of £2.6m.



Percentage of equity held	23.0%
Cost of Investment	£10.1m
Directors' valuation	£3.0m
Percentage of net assets	3.8%

Premier Hytemp

Premier Hytemp is a global market leader in the manufacture and supply of engineered metal solutions. It is a specialist in the provision of low alloy and nickel alloy steel components for the upstream oil and gas industry. Its components are used in complex engineered assemblies required to extract and control the flow of oil and gas from new revenues, often sub-sea.

As a result of the oil and gas downturn Premier has diversified into some other markets including Nuclear, Marine and Aerospace.

Premier Hytemp is headquartered in Edinburgh with manufacturing facilities in Edinburgh, Singapore and Malaysia



Percentage of equity held	8.2%
Cost of Investment	£3.0m
Directors' valuation	£2.0m
Percentage of net assets	2.5%

Incremental

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.

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.



Percentage of equity held	10.6%
Cost of Investment	£8.3m
Directors' valuation	£1.1m
Percentage of net assets	1.4%

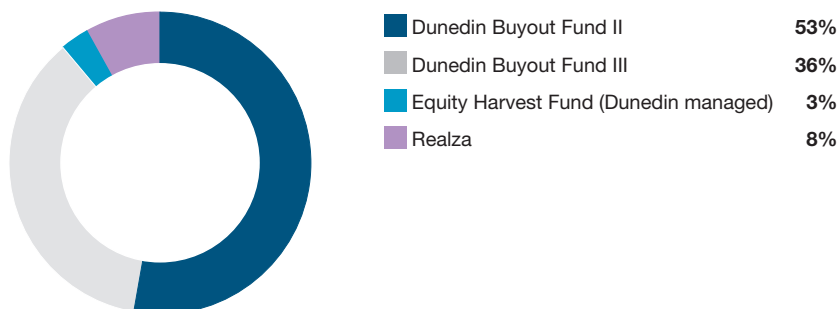
EV

EV is the global market leader in high definition visualisation technology for the oil and gas industry, producing cameras and other 'big data' sensors for diagnosing and analysing problems in oil and gas wells. In April 2016, EV acquired Epidote, a software company specialising in presenting and analysing oil and gas well integrity data. This move has enabled EV to diagnose problems in oil and gas wells faster and more effectively. The acquisition has allowed EV to enhance its technological offer, with the aim of reducing costs and improving results for its clients.

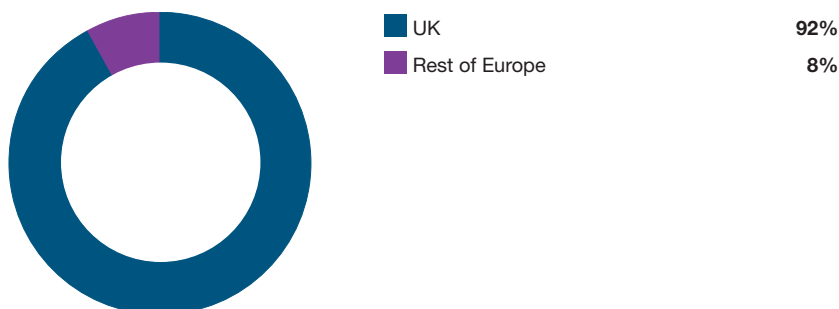
Based in Aberdeen, Houston and Norwich, EV continues to expand, and currently serves blue-chip clients in more than 35 countries across Europe, Canada, the USA, West Africa, the Middle East, Asia and Australasia. With a significant technological competitive edge, the company operates in a predominantly untapped global market, where there is opportunity to broaden its products and services.

Overview of Portfolio

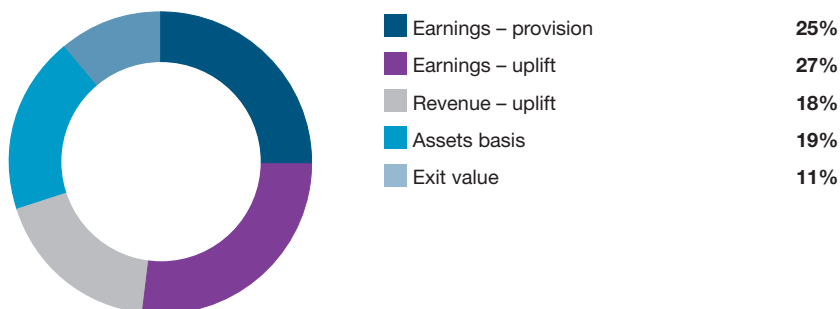
Fund Analysis



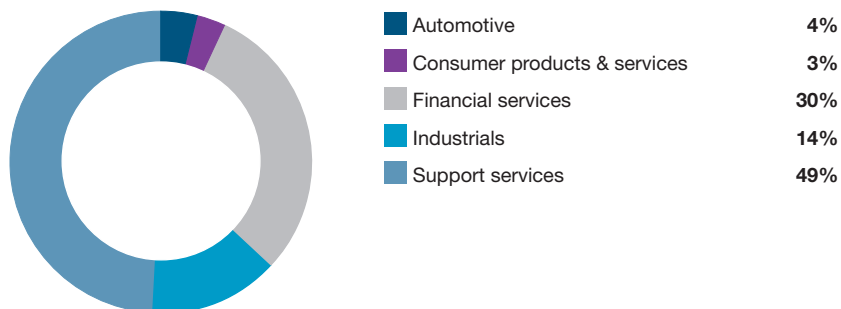
Geographic Location



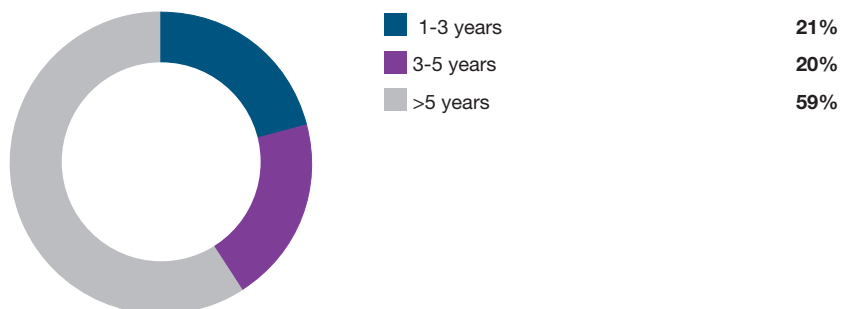
Valuation Method



Sector Analysis



Year of Investment



Statement of Comprehensive Income

for the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 (unaudited)			Six months ended 30 June 2019 (unaudited)			Year ended 31 December 2019 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income	3	709	–	709	1,343	–	1,343	1,390	–	1,390
(Loss)/gain on investments		–	(12,783)	(12,783)	–	2,063	2,063	–	11,293	11,293
Total income		709	(12,783)	(12,074)	1,343	2,063	3,406	1,390	11,293	12,683
Expenses										
Investment management fees		(8)	(23)	(31)	(7)	(22)	(29)	(15)	(46)	(61)
Other expenses		(166)	(3)	(169)	(193)	(3)	(196)	(390)	(39)	(429)
Profit/(loss) before finance costs and tax		535	(12,809)	(12,274)	1,143	2,038	3,181	985	11,208	12,193
Finance costs		(10)	(31)	(41)	(20)	(60)	(80)	(27)	(80)	(107)
Profit/(loss) before tax		525	(12,840)	(12,315)	1,123	1,978	3,101	958	11,128	12,086
Taxation		–	–	–	–	–	–	(25)	25	–
Profit/(loss) for the period		525	(12,840)	(12,315)	1,123	1,978	3,101	933	11,153	12,086
Earnings per ordinary share (basic & diluted)	6	2.54p	(62.19)p	(59.65)p	5.44p	9.58p	15.02p	4.52p	54.02p	58.54p

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

Statement of Changes in Equity

for the six months ended 30 June 2020

Six months ended 30 June 2020 (unaudited)

	Share capital £'000	Capital redemption reserve (restated)* £'000	Capital reserve – realised (restated)* £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2019	5,161	49,214	34,258	(3,877)	1,151	5,840	63,177	91,747
Profit/(loss) for the period	–	–	6,822	(19,662)	–	525	(12,315)	(12,315)
Dividends paid	–	–	–	–	–	(1,032)	(1,032)	(1,032)
At 30 June 2020	5,161	49,214	41,080	(23,539)	1,151	5,333	49,830	78,400

Six months ended 30 June 2019 (unaudited)

	Share capital £'000	Capital redemption reserve (restated)* £'000	Capital reserve – realised (restated)* £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2018	5,161	44,053	37,419	(13,030)	6,312	5,320	56,665	85,235
Profit/(loss) for the period	–	–	2,131	(153)	–	1,123	3,101	3,101
B shares issued during the period	5,161	–	–	–	(5,161)	–	–	–
B shares redeemed during the period	(5,161)	5,161	(5,161)	–	–	–	(5,161)	(5,161)
Dividends paid	–	–	–	–	–	(413)	(413)	(413)
At 30 June 2019	5,161	49,214	34,389	(13,183)	1,151	6,030	54,192	82,762

Year ended 31 December 2019 (audited)

	Share capital £'000	Capital redemption reserve (restated)* £'000	Capital reserve – realised (restated)* £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
At 31 December 2018	5,161	44,053	37,419	(13,030)	6,312	5,320	56,665	85,235
Profit/(loss) for the year	–	–	2,000	9,153	–	933	12,086	12,086
B shares issued during the year	5,161	–	–	–	(5,161)	–	–	–
B shares redeemed during the year	(5,161)	5,161	(5,161)	–	–	–	(5,161)	(5,161)
Dividends paid	–	–	–	–	–	(413)	(413)	(413)
At 31 December 2019	5,161	49,214	34,258	(3,877)	1,151	5,840	63,177	91,747

* – see note 8

Balance Sheet

As at 30 June 2020

	Note	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) (restated)* £'000	31 December 2019 (audited) (restated)* £'000
Non-current assets				
Investments held at fair value through profit or loss	5	76,551	79,754	89,105
Current assets				
Other receivables		1,054	1,092	1,073
Cash and cash equivalents		3,725	3,658	3,735
		4,779	4,750	4,808
Total assets		81,330	84,504	93,913
Current liabilities				
Other liabilities		(2,930)	(1,742)	(2,166)
Net assets		78,400	82,762	91,747
Equity attributable to equity holders				
Equity attributable to equity holders				
Share capital		5,161	5,161	5,161
Capital redemption reserve		49,214	49,214	49,214
Capital reserve – realised		41,080	34,389	34,258
Capital reserve – unrealised		(23,539)	(13,183)	(3,877)
Special distributable reserve		1,151	1,151	1,151
Revenue reserve		5,333	6,030	5,840
Total equity		78,400	82,762	91,747
Net asset value per ordinary share (basic and diluted)		379.8p	400.9p	444.4p

* – see note 8

Cash Flow Statement

for the six months ended 30 June 2020

	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000	31 December 2019 (audited) £'000
Cash flows from operating activities			
(Loss)/profit before tax	(12,315)	3,101	12,086
Adjustments for:			
(Loss)/gain on investments	12,783	(2,063)	(11,293)
Interest paid	41	80	107
Decrease in debtors	19	4,639	4,658
Increase in creditors	764	169	594
Net cash from operating activities	1,292	5,926	6,152
Cash flows from investing activities			
Purchase of investments	(1,369)	(1,590)	(2,696)
Drawdown from subsidiary	(46)	(67)	(112)
Purchase of 'AAA' rated money market funds	(12,675)	(11,632)	(12,862)
Sale of investments	13,771	3,401	3,401
Distribution from subsidiary	90	3,919	5,480
Sale of 'AAA' rated money market funds	–	5,710	6,410
Net cash used in investing activities	(229)	(259)	(379)
Cash flows from financing activities			
Redemption of B shares	–	(5,161)	(5,161)
Dividends paid	(1,032)	(413)	(413)
Interest paid	(41)	(80)	(107)
Net cash used in financing activities	(1,073)	(5,654)	(5,681)
Net (decrease)/increase in cash and cash equivalents	(10)	13	92
Cash and cash equivalents at the start of period	3,735	3,645	3,645
Effect of exchange rate fluctuations on cash held	–	–	(2)
Cash and cash equivalents at the end of period	3,725	3,658	3,735

Statement of Principal Risks and Uncertainties

The Directors have an ongoing process for identifying, evaluating and managing principal risks, emerging risks and uncertainties of the Company. The principal risks faced by the Company related to the Company's investment activities and these are set out below:-

- Coronavirus
- Brexit
- investment and liquidity risk
- portfolio concentration risk
- financial risk
- economic risk

- credit risk
- currency risk
- internal control risk

Information on each of these risks, and an explanation of how they are managed, is on page 25 of the Company's Annual Report for the year ended 31 December 2019.

The Company's principal risks, emerging risks and uncertainties have not changed materially since the date of the Annual Report and are not expected to change materially for the remaining six months of the Company's financial year.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Chairman's Statement and Manger's Review (together constituting the Interim Management Report) include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and

- the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

By Order of the Board
Duncan Budge
Chairman
21 September 2020

Notes to the Accounts

1. Unaudited Interim Report

The comparative financial information contained in this report for the year ended 31 December 2019 does not constitute the Company's statutory accounts but is derived from those accounts. Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial statements for the six months ended 30 June 2019 and 30 June 2020 have not been audited.

2. Basis of Preparation

These condensed set of financial statements for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (FCA) and IAS 34 'Interim Financial Reporting'. They do not include all the information required by International Financial Reporting Standards (IFRS) in full annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2019.

In May 2016 shareholders approved a change in the investment policy of the Company. The Company's new investment objective is to conduct an orderly realisation of its relatively illiquid assets, to be effected in a manner that seeks to achieve a balance between maximising the value of its assets and progressively returning cash to shareholders. As it is likely this process, which is expected to have a duration of several years, will ultimately lead to the liquidation of the Company, these financial statements have not been prepared on a going concern basis. No adjustments were necessary to the investment valuations or other assets and liabilities included in the financial statement as a consequence of the change in the basis of preparation.

3. Income

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Limited Partnership income – UK	671	1,299	1,299
AAA rated money market funds	24	32	63
Deposit interest	14	12	26
Other income	–	–	2
	709	1,343	1,390

4. Dividends

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000	Year to 31 December 2019 £'000
Dividends paid in the period	1,032	413	413

5. Investments

All investments are designated fair value through profit or loss at initial recognition, therefore all gains and losses that arise on investments are 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.

Fair value hierarchy

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 significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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:

	At 30 June 2020 £'000	At 30 June 2019 £'000	At 31 December 2019 £'000
Level 1			
'AAA' rated money market funds OEICS	21,228	8,023	8,553
Level 2	–	–	–
Level 3			
Unlisted investments	55,323	71,731	80,552
	76,551	79,754	89,105

The Company recognises transfers between the levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the six months ended 30 June 2020.

Level 3 fair values

Details of the determination of Level 3 fair value measurements and the movements in Level 3 fair values during the six months ended 30 June 2020 are set out below:-

	Level 3 £'000
Book cost at 31 December 2019	84,429
Unrealised depreciation	(3,877)
Valuation at 31 December 2019	80,552
Purchases at cost	1,415
Sales – proceeds	(13,861)
Sales – realised gain on sales	6,879
Decrease in unrealised appreciation	(19,662)
Valuation at 30 June 2020	55,323
Book cost at 30 June 2020	78,862
Closing unrealised depreciation	(23,539)

Details of the determination of Level 3 fair value measurements and the movements in Level 3 fair values during the six months ended 30 June 2019 are set out below:-

	Level 3 £'000
Book cost at 31 December 2018	88,360
Unrealised depreciation	(13,030)
Valuation at 31 December 2018	75,330
Purchases at cost	1,657
Sales – proceeds	(7,319)
Sales – realised gain on sales	2,216
Decrease in unrealised appreciation	(153)
Valuation at 30 June 2019	71,731
Book cost at 30 June 2019	84,914
Closing unrealised depreciation	(13,183)

Details of the determination of Level 3 fair value measurements and the movements in Level 3 fair values during the year ended 31 December 2019 are set out below:-

	Level 3 £'000
Book cost at 31 December 2018	88,360
Unrealised depreciation	(13,030)
Valuation at 31 December 2018	75,330
Purchases at cost	2,808
Sales – proceeds	(8,881)
Sales – realised gain on sales	2,142
Increase in unrealised appreciation	9,153
Valuation at 31 December 2019	80,552
Book cost at 31 December 2019	84,429
Closing unrealised depreciation	(3,877)

Valuation of investments

Unquoted investments are fair valued by the Directors in accordance with the following rules, which are consistent with the International Private Equity and Venture Capital Valuation Guidelines:

- Investments are only valued at cost for a limited period after the date of acquisition, otherwise investments are valued on one of the other basis detailed below. Generally, the earnings multiple basis of valuation will be used.
- When valuing on an earnings basis, the maintainable earnings of a company are multiplied by an appropriate multiple.
- An investment may be valued by reference to the value of its net assets. This is appropriate for businesses whose value derives mainly from the underlying value of its assets rather than its earnings.
- When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the relevant accounts (interim or final), the valuation is based on the exit valuation.
- Accrued interest on loans to portfolio companies is included in valuations where there is an expectation that the interest will be received.

IFRS 13 requires disclosure, by class of financial instrument, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. The information used in determination of the fair value of Level 3 investments is chosen with reference to the specific underlying circumstances and position of the investee company. On that basis the Board believe that the impact of changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value significantly.

The Directors consider the carrying value of financial instruments in the financial statements to represent their fair value.

6. Earnings per share

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
Revenue return per ordinary share (p)	2.54	5.44	4.52
Capital return per ordinary share (p)	(62.19)	9.58	54.02
Earnings per ordinary share (p)	(59.65)	15.02	58.54
Weighted average number of shares	20,644,062	20,644,062	20,644,062

The earnings per share figures are based on the weighted average numbers of shares set out above. Earnings per share is based on the revenue profit in the period as shown in the consolidated income statement.

7. Related party transactions

There have been no material changes to the related party transactions described in the last annual report.

8. Restatement

An accounting prior year adjustment has been made, which impacts the years ending 31 December 2017 to 31 December 2019. The Circular issued to shareholders in April 2017 stated that the intention was for B shares to be paid up for “new consideration”, and the restatement is to correct the accounting entries that should have been made to reflect this. The restatement has no impact on the net asset value of the Company in any of the periods covered by the adjustment. The impact of the restatement is shown in the table below.

	Capital redemption reserve £'000	Capital reserve – realised £'000
Opening position at 31 December 2018	20,644	(20,644)
Six month period ended 30 June 2019	5,161	(5,161)
Twelve month period ended 31 December 2019	5,161	(5,161)

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 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 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. An investment trust should be considered only as part of a balanced portfolio.

Registrar

Equiniti
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West Sussex BN99 6DA

Telephone: 0371 384 2440
International: +44 121 415 7047
Website: www.shareview.co.uk

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

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 ex-dividend.

Financial Calendar

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

March

Preliminary figures and recommended dividend for the year announced.

April

Annual Report and Accounts published.

May

Annual General Meeting and dividend paid.

September

Half year report published.

Corporate Information

Directors

Duncan Budge, Chairman

Brian Finlayson

Angela Lane, Senior Independent Director

Manager and Secretary

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