

Investing in Private Equity



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

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

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Financial Highlights

Net asset value per share increased by 0.5% to 535.1p per share in the six months to 30 June 2013

Realisations of £18.1m in the half year

New investment of £10.2m in the half year

Further £10m commitment to Dunedin Buyout Fund III

£12.5m returned to shareholders by way of tender offer

Comparative Total Return Performance

Periods to 30 June 2013	Net Asset value*	Share price	FTSE Small Cap (ex Inv Cos) Index
Six months	1.7%	3.0%	15.3%
One year	-4.3%	31.1%	38.6%
Three years	31.1%	74.1%	61.6%
Five years	14.9%	37.6%	53.6%
Ten years	107.8%	144.7%	104.6%

* taken from 31 July for ten years

Manager's Review

Results for the six months to 30 June 2013

In the six months to 30 June 2013, Dunedin Enterprise's unaudited net asset value per share increased from 532.7p to 535.1p, an increase of 0.5%. When dividends paid in the half year are included, this equates to a total return of 1.7%.

During the six months to 30 June 2013 the share price of Dunedin Enterprise increased by 1.4% from 412.38p to 418p. The FTSE Small Cap index rose by 13.5% over the same period. The share price of 418p equates to a discount of 21.9% to net asset value and has reduced from 22.6% at 31 December 2012. At the date of writing the share price stands at 408p which equates to a discount of 23.8% to net asset value per share.

In the six months to 30 June 2013 Dunedin Enterprise invested a total of £10.2m and realised £18.1m from investments.

During the half year a further commitment of £10m was made by the Trust to Dunedin Buyout Fund III LP ("DBFIII"). This takes the Trust's total commitment to £60m and will be drawn down over the next five years. This represents 19.6% of DBFIII total commitments. The Trust had outstanding commitments to limited partnership funds of £90.2m at 30 June 2013. This consists of £75.9m to Dunedin managed funds and £14.3m to European funds. It is expected that only £65m of this total commitment will be drawn.

Portfolio composition and movements

Dunedin Enterprise holds investments in unquoted companies through:-

- Dunedin managed funds (including direct investments), and
- Third party managed funds.

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

	Valuation at 31-12-12 £'m	Additions in half year £'m	Disposals in half year £'m	Realised movement £'m	Unrealised movement £'m	Valuation at 30-6-13 £'m
Dunedin managed	76.5	6.1	(0.1)	(1.4)	1.6	82.7
Third party managed	25.7	4.1	(18.0)	1.0	0.7	13.5
	102.2	10.2	(18.1)	(0.4)	2.3	96.2

Net asset and cash movements in the half year to 30 June 2013

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

	£'m
Net asset value at 31 December 2012	137.2
Unrealised value increases	7.0
Unrealised value decreases	(4.7)
Realised loss over opening valuation	(0.4)
Dividends paid to shareholders	(1.7)
Tender offer to shareholders (including costs)	(12.6)
Other movements	(1.1)
Net asset value at 30 June 2013	123.7

Cash movements in the half year to 30 June 2013 can be summarised as follows:-

	£'m
Cash and near cash balances at 31 December 2012	33.9
Investments made*	(6.1)
Investments realised	18.1
Tender offer to shareholders	(12.6)
Dividends paid to shareholders	(1.7)
Operating activities	0.9
Cash and near cash balances at 30 June 2013	32.5

* excludes Trustmarque which was drawn by DBFIII post half year end

New investment activity

In future new investments made by the Company will be made primarily through its commitment to DBFIII. The other Dunedin managed funds (Dunedin Buyout Fund I, Dunedin Buyout Fund II and Equity Harvest Fund) have each reached the end of their investment period with any future investment made through these vehicles being for follow-on investments.

On 7 June 2013 an investment of £4.1m was made in Trustmarque Solutions ("Trustmarque") through DBFIII. DBFIII invested £20.8m for a majority stake in the company. Trustmarque has been in operation for over 25 years and manages customers' computer software and licensing from a wide range of developers including Microsoft, VMware, and McAfee. Its professional and consultative services enable organisations to optimise their IT resource, improve efficiencies and reduce costs. The business employs 180 people at three sites in York (HQ), Bracknell and Edinburgh. It currently serves over 1,200 clients including RBS, Lloyds Banking Group, Sainsbury's, the NHS, Ministry of Defence and a broad spectrum of local authorities and central government agencies.

The remaining £2.0m of investment was utilised for follow-on investments in Hawksford (£0.5m) and CGI (£0.2m) to fund acquisitions and £1.3m of management fees to the Dunedin funds.

Within the European funds £2.6m was drawn down by FSN Capital prior to the realisation of the investment. A drawdown of £1.5m was made by Innova to invest in an energy consulting and engineering company.

Realisations

In the six months to 30 June 2013 a total of £18.1m was realised from investments. The most significant realisations were Egeria (£8.4m) and FSN Capital (£9.0m). The remaining realisations were principally redemptions of loan stock.

The realisation of Egeria was disclosed in the 2012 Annual Report and the investment was valued at the exit price in those accounts. The realisation of FSN Capital generated a profit of £1.0m over the valuation at 31 December 2012.

An agreement to realise the investment in Practice Plan was signed on 13 August 2013 with Wesleyan Assurance Society. However, the transaction will not be completed and proceeds received until regulatory approval has been granted. As at 30 June 2013 the investment in Practice Plan has been valued at the agreed sale price generating an uplift of £2.7m in the half year. On completion of the sale, the investment in Practice Plan will generate capital proceeds of £8.9m

and income of £5.9m, with 50% of the capital gain representing £1.6m.

Unrealised movements in valuation

Unrealised movements in portfolio company valuations in the half year totalled £2.3m. The largest increases within this total were in the valuation of Practice Plan (£2.7m), CitySprint (£1.6m) and CGI (£1.0m). There were reductions in value at Weldex (£1.7m), Premier Hytemp (£1.0m), OSS (£1.0m) and Red Commerce (£0.7m).

As stated above the investment in Practice Plan has been valued at the agreed sale price. The valuation of CitySprint has benefited from continued growth in maintainable earnings as a result of both organic growth and acquisitions combined with a reduction in net debt. The valuation of CGI has also benefited from reduced net debt and earnings growth.

Challenging trading conditions have impacted Premier Hytemp and Red Commerce leading to a reduction in valuation. The Manager is working with each of these companies to recover value for the investment. The Weldex valuation has been reduced in line with earnings. Trading at OSS has continued to decline and a full provision has been made against the investment.

The average earnings multiple applied to the valuation of the Dunedin managed portfolio was 6.8x EBITDA (31 December 2012: 7.0x) or 8.3x EBITA (31 December 2012: 8.5x). These multiples are applied to the maintainable earnings of portfolio companies. Within the Dunedin managed portfolio, the weighted average gearing of the companies was 2.3x EBITDA (31 December 2012: 2.2x) or 2.8x EBITA (31 December 2012: 2.7x). Over 60% of the debt is repayable after 2015.

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

The principal risks which the Company faces include: continued weakness and volatility in the financial markets impacting the availability of debt, investment opportunities and valuations of portfolio companies; currency movements and some portfolio companies facing difficult trading conditions, particularly in Europe.

The Board and the Manager remain satisfied with the balance between cash resources and outstanding commitments to limited partnership funds given the expected rate of new investment and therefore continues to adopt a going concern basis in preparing the half year report and accounts. The £20m revolving credit facility available to the Company has been renewed until 29 August 2014.

Distribution policy and dividends

Since the distribution policy was introduced in November 2011, the Company has returned £33.6m of capital to shareholders through three tender offers. The Company now has a further £9.0m of capital available for return to shareholders in accordance with the distribution policy. An additional £1.6m of capital is expected to be available for return following the completion of the sale of Practice Plan.

The high level of capital returned, or available for return, under the distribution policy has resulted from successful implementation of the Company's strategy. Shareholders should not expect realisations and consequent distributions to continue at this high level in the near term.

The Board is proposing that £5.5m of the capital available for return be used to make a further tender offer at a price of 475p per share. This tender offer will be subject to shareholder approval at a general meeting. A circular containing the full details of the tender offer and convening that meeting will be sent to shareholders shortly.

The balance of the capital currently available to be returned of £3.5m, together with the further £1.6m of capital available following the expected completion of the sale of Practice Plan, may be used to fund share buy-backs in the coming months or otherwise returned to shareholders in due course.

In determining the size of the tender offer, the Board has had regard to the amount of capital already returned to shareholders in the current tax year, the size of the Company's market capitalisation and the benefits of greater net asset value enhancement for continuing shareholders which may result from share buy-backs through the market.

A dividend for the year ended 31 December 2013 will be paid to shareholders in May 2014. This in part reflects the income received from disposals.

AIFMD

The Board continues to monitor regulatory changes closely and the key regulatory development affecting the Trust is the EU Alternative Investment Fund Manager's Directive ("AIFMD"). The AIFMD was implemented into UK law with effect from 22 July 2013, but with a one year transitional period to July 2014. It is the Board's intention to appoint Dunedin as AIFM of the Trust.

Board Changes

David Gamble will retire from the Board following the AGM in May 2014. Duncan Budge, who joined the Board in April 2012, has agreed to succeed him as Chairman.

Outlook

In the first six months of 2013 the Manager has experienced a strong pipeline of new investment opportunities. The Manager is principally focused on making new investments within three main sectors:- business services, financial services and industrials.

The existing portfolio continues to evolve both through organic growth and acquisitions. The Trust, through the Dunedin managed funds, finances acquisitions where appropriate. A key driver of growth from within the portfolio is to internationalise the operations of some portfolio companies to make them less reliant on a single economy. The Manager actively assists portfolio companies to achieve this.

Though the economic outlook remains uncertain companies within the portfolio are well financed to take advantage of opportunities.

Dunedin LLP

28 August 2013

Ten Largest Investments

(both held directly and via Dunedin managed funds) by value at 30 June 2013

Company name	Approx. percentage of equity %	Cost of investment £'000	Directors valuation £'000	Percentage of net assets %
CitySprint (UK) Group Limited	11.9	9,838	14,845	12.0
Practice Plan Holdings Limited	26.2	5,655	14,799	12.0
Realza Capital FCR	8.9	5,969	7,502	6.1
CGI Group Holdings Limited	41.4	9,450	7,364	6.0
Hawksford International Limited	16.0	4,331	7,332	5.9
Premier Hytemp Bidco Limited	23.0	8,020	7,041	5.7
Formaplex Group Limited	17.7	1,732	6,695	5.4
Dunedin Claret Limited (Red Commerce)	18.7	7,870	5,995	4.8
Weldex (International) Offshore Holdings Limited	15.1	9,505	5,887	4.7
U-POL Group Limited	5.2	5,657	5,712	4.6
		68,027	83,172	67.2

Overview of Portfolio

Analysed by category of investment

	30 June 2013 %	31 December 2012 %
Dunedin managed	64	56
Third party managed	11	19
Cash	25	25

Analysed by fund

	30 June 2013 %	31 December 2012 %
Direct	18	15
Dunedin Buyout Fund I	–	–
Dunedin Buyout Fund II	39	38
Dunedin Buyout Fund III	3	–
Equity Harvest Fund	4	3
Third Party managed	11	19
Cash	25	25

Analysed by valuation method

	30 June 2013 %	31 December 2012 %
Cost/written down	14	14
Earnings – provision	24	25
Earnings – uplift	47	53
Exit value	15	8

Analysed by geographic location

	30 June 2013 %	31 December 2012 %
UK	65	57
Rest of Europe	10	18
Cash	25	25

Analysed by sector

	30 June 2013 %	31 December 2012 %
Construction and building materials	8	8
Consumer products & services	2	6
Financial services	9	10
Healthcare	5	5
Industrials	20	24
Retail	–	1
Support services	50	42
Technology, media & telecoms	6	4

Analysed by age of investment

	30 June 2013 %	31 December 2012 %
<1 year	16	15
1-3 years	30	44
3-5 years	20	12
>5 years	34	29

Consolidated Income Statement for the six months ended 30 June 2013

		Unaudited Six months ended 30 June 2013	
	Revenue £'000	Capital £'000	Total £'000
Investment income	114	–	114
Gains/(losses) on investments	–	1,759	1,759
Total Income	114	1,759	1,873
Expenses			
Investment management fees	(105)	(315)	(420)
Other expenses	(322)	–	(322)
Profit before finance costs and tax	(313)	1,444	1,131
Finance costs	(68)	(205)	(273)
Profit before tax	(381)	1,239	858
Taxation	(26)	–	(26)
Profit for the period	(407)	1,239	832
Earnings per ordinary share (basic & diluted)	(1.6)p	4.9p	3.3p

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

All items in the above statement derive from continuing operations.

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

Unaudited Six months ended 30 June 2012			Audited Year ended 31 December 2012		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
6,077	–	6,077	7,362	–	7,362
–	5,890	5,890	–	(3,788)	(3,788)
6,077	5,890	11,967	7,362	(3,788)	3,574
(155)	(465)	(620)	(283)	(850)	(1,133)
(367)	(223)	(590)	(696)	–	(696)
5,555	5,202	10,757	6,383	(4,638)	1,745
(50)	(150)	(200)	(109)	(327)	(436)
5,505	5,052	10,557	6,274	(4,965)	1,309
(322)	295	(27)	(473)	528	55
5,183	5,347	10,530	5,801	(4,437)	1,364
17.9p	18.4p	36.3p	20.8p	(15.9)p	4.9p

Consolidated Statement of Changes in Equity for the six months ended 30 June 2013

Six months ended 30 June 2013 (unaudited)

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2012	6,438	1,488
Profit/(loss) for the period	–	–
Purchase and cancellation of shares	(657)	657
Dividends paid	–	–
At 30 June 2013	5,781	2,145

Six months ended 30 June 2012 (unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
At 31 December 2011	7,530	47,600	396
Profit/(loss) for the period	–	–	–
Cancellation of share premium account	–	(47,600)	–
Purchase and cancellation of shares	(753)	–	753
Dividends paid	–	–	–
At 30 June 2012	6,777	–	1,149

Year ended 31 December 2012 (audited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000
At 31 December 2011	7,530	47,600	396
Profit/(loss) for the year	–	–	–
Cancellation of share premium account	–	(47,600)	–
Purchase and cancellation of shares	(1,092)	–	1,092
Dividends paid	–	–	–
At 31 December 2012	6,438	–	1,488

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
81,915	(6,717)	47,600	6,474	129,272	137,198
(2,552)	3,791	–	(407)	832	832
(12,618)	–	–	–	(12,618)	(12,618)
–	–	–	(1,674)	(1,674)	(1,674)
66,745	(2,926)	47,600	4,393	115,812	123,738

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
91,112	9,952	–	6,366	107,430	162,956
8,436	(3,089)	–	5,183	10,530	10,530
–	–	47,600	–	47,600	–
(14,308)	–	–	–	(14,308)	(14,308)
–	–	–	(1,355)	(1,355)	(1,355)
85,240	6,863	47,600	10,194	149,897	157,823

Capital reserve – realised £'000	Capital reserve – unrealised £'000	Special distributable reserve £'000	Revenue account £'000	Total retained earnings £'000	Total equity £'000
91,112	9,952	–	6,366	107,430	162,956
12,232	(16,669)	–	5,801	1,364	1,364
–	–	47,600	–	47,600	–
(21,429)	–	–	–	(21,429)	(21,429)
–	–	–	(5,693)	(5,693)	(5,693)
81,915	(6,717)	47,600	6,474	129,272	137,198

Consolidated Balance Sheet

As at 30 June 2013

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Non-current assets			
Investments held at fair value	105,892	120,299	109,578
Current assets			
Other receivables	60	993	1,301
Cash and cash equivalents	22,849	36,763	26,605
	22,909	37,756	27,906
Total assets	128,801	158,055	137,484
Current liabilities			
Other liabilities	(4,982)	(102)	(231)
Current tax liabilities	(81)	(130)	(55)
Net assets	123,738	157,823	137,198
Equity attributable to equity holders			
Share capital	5,781	6,777	6,438
Capital redemption reserve	2,145	1,149	1,488
Capital reserve – realised	66,745	85,240	81,915
Capital reserve – unrealised	(2,926)	6,863	(6,717)
Special distributable reserve	47,600	47,600	47,600
Revenue reserve	4,393	10,194	6,474
Total equity	123,738	157,823	137,198
Net asset value per ordinary share (basic and diluted)	535.1p	582.2p	532.7p

Consolidated Cash Flow Statement for the six months ended 30 June 2013

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Operating activities			
Profit before tax	858	10,557	1,309
(Gains)/losses on investments	(1,759)	(5,890)	3,788
Interest paid	273	200	436
(Increase)/decrease in debtors	1,241	(634)	(942)
Increase/(decrease) in creditors	671	(326)	(198)
Other non cash movements	(225)	–	–
Net cash inflow/(outflow) from operating activities	1,059	3,907	4,393
Servicing of finance			
Interest paid	(273)	(200)	(436)
Investing activities			
Purchase of investments	(6,076)	(3,041)	(19,303)
Purchase of 'AAA' rated money market funds	(8,026)	(13,603)	(18,412)
Sale of investments	18,147	40,905	53,135
Sale of 'AAA' rated money market funds	5,700	9,497	19,586
Net cash inflow from investing activities	9,745	33,758	35,006
Taxation			
Tax recovered	–	–	8
Financing activities			
Purchase of ordinary shares	(12,618)	(14,308)	(21,429)
Dividends paid	(1,674)	(1,355)	(5,693)
Net cash (outflow) from financing activities	(14,292)	(15,663)	(27,122)
Effect of exchange rate fluctuations on cash held	5	–	(205)
Net increase/(decrease) in cash and cash equivalents	(3,756)	21,802	11,644
Cash and cash equivalents at the start of period	26,605	14,961	14,961
Net increase/(decrease) in cash and cash equivalents	(3,756)	21,802	11,644
Cash and cash equivalents at the end of period	22,849	36,763	26,605

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 as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

David Gamble

Chairman

28 August 2013

Notes to the Accounts

1. Unaudited Interim Report

The financial information contained in this report does not constitute the Company's statutory accounts for the year ended 31 December 2012 but is derived from those accounts. Statutory accounts for the year ended 31 December 2012 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 2012 and 30 June 2013 have not been audited.

2. Basis of Preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Except as described below, the accounting policies applied in these financial statements are the same as those in the Group's consolidated financial statements as at and for the year ended 31 December 2012. The following changes are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

The Group has adopted the following new standards with a date of initial application of 1 January 2013.

- IFRS 13 Fair Value Measurement

Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements; accordingly, the Group has included additional disclosures in this regard (see note 4).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided comparative information for new disclosures. Notwithstanding the above, the change has no significant impact on the measurements of the Group's assets and liabilities.

3. Dividends

	Six months to 30 June 2013 £'000	Six months to 30 June 2012 £'000	Year to 31 December 2012 £'000
Dividends paid in the period	1,674	1,355	5,693

4. 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.

Fair value hierarchy

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

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

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 2013 £'000
Level 1	
'AAA' rated money market funds	9,655
Level 2	–
Level 3	
Unlisted investments	96,237
	105,892

The Group 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 2013.

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 2013 are set out below:-

	Level 3 £'000
Book cost at 31 December 2012	108,965
Unrealised (depreciation)	(6,717)
Valuation at 31 December 2012	102,248
Purchases at cost	10,156
Sales - proceeds	(18,147)
Sales – realised (losses) on sales	(1,811)
Increase in unrealised appreciation	3,791
Valuation at 30 June 2013	96,237
Book cost at 30 June 2013	99,163
Closing unrealised (depreciation)	(2,926)

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.

5. Earnings per share

	Six months to 30 June 2013	Six months to 30 June 2012	Year to 31 December 2012
Revenue return per ordinary share (p)	(1.6)	17.9	20.8
Capital return per ordinary share (p)	4.9	18.4	(15.9)
Earnings per ordinary share (p)	3.3	36.3	4.9
Weighted average number of shares	25,158,532	28,996,928	27,852,091

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.

6. Contingent assets

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

7. Related party transactions

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

Independent Review Report to Dunedin Enterprise Investment Trust PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Catherine Burnet

for and on behalf of KPMG Audit Plc
Chartered Accountants
Edinburgh

28 August 2013

Information for Investors

The information on pages 20 and 21 has been issued by Alliance Trust Savings Limited, which is registered in Scotland No. SC 98767, registered office, PO Box 164, 8 West Marketgait, Dundee DD1 9YP. It is authorised and regulated by the Financial Conduct Authority whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS firm reference number 116115. It gives no financial or investment advice.

The Company is managed by Dunedin LLP ("Dunedin") and marketed by Alliance Trust Savings Limited.

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.

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 appears under the heading 'Investment Companies' in The Financial Times, and other national newspapers. Prices are also available on the Company website www.dunedinenterprise.com or on the Alliance Trust Savings website www.alliancetrustsavings.co.uk or else on various websites such as www.trustnet.com.

Investors can buy and sell shares in an investment trust directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. However, in order to facilitate investment in the Company, arrangements have been put in place for Dunedin Enterprise to be part of the Alliance Trust Savings products.

Details of the Alliance Trust Savings products are noted below:

Alliance Trust Savings – Individual Savings Account (ISA) is a low-cost, tax-efficient savings vehicle. Since 6 April 2013, the ISA subscription limit has been £11,520 for anyone eligible to invest. The annual administration charge for an Alliance Trust Savings ISA is £40 plus VAT, which is charged quarterly at £10 plus VAT per quarter.

Alliance Trust Savings – Investment Dealing Account (IDA) offers a simple means of investing in Dunedin Enterprise. The annual administration charge for an Investment Dealing Account is £40 plus VAT, which is charged quarterly at £10 plus VAT per quarter.

Investors may make regular monthly payments (minimum £50 per month) or invest occasional lump sums (minimum £50 in both the ISA and IDA). The charge for regular monthly payments is £1.50. Investors may also make one-off investments by dealing online or by post/telephone. There is an online dealing charge of £12.50 and a postal/telephone dealing charge of £40.00 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 reinvested and request to receive income from dividends to their bank account. IDA and ISA are considered to be medium to long term investments, there is no restriction on how long an investor need invest and investors can choose to close their account by instructing Alliance Trust Savings in writing at any time.

In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

For information relating to the above savings plans please contact:

Alliance Trust Savings Limited

PO Box 164
8 West Marketgait
Dundee
DD1 9YP

Telephone 01382 573737
Email contact@alliancetrust.co.uk

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

Registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Telephone: 0871 384 2440*

* Calls to this number cost 8p per minute plus network extras.
Lines are open 8.30am to 5.30pm, Monday to Friday. The
overseas helpline number is +44(0)121 415 7047

Important Information

Risk factors you should consider prior to investing:

- In common with most investment companies, investment trusts may borrow to finance further investment (gearing). The use of gearing is likely to lead to volatility in the Net Asset Value (NAV) meaning that a relatively small movement, down or up, in the value of a trust's assets will result in a magnified movement, in the same direction, of that NAV.
- The Company invests in small companies, and/or companies investing in technology or venture and development capital stocks, where the potential volatility may increase the risk to the value of your investment. Above average price movements may be expected.
- The Company invests in a specialist market sector and is likely to carry higher risks than a more widely invested fund.
- The value of shares and the income from them can go down as well as up and you may get back less than the amount invested.

- Past performance is not a guide to the future.
- Exposure to a single country market increases potential volatility.
- There is no guarantee that the market price of shares in the Company will fully reflect their underlying Net Asset Value.
- As with all stock exchange investments the value of investment trust shares purchases will immediately fall by the difference between the buying and selling prices, the bid-offer spread.
- If you are unsure as to the suitability of any particular investment or product, you should seek professional financial advice.
- You should remember that the amount of tax relief depends on your individual circumstances and that the beneficial tax treatment of ISAs may not continue in the future.
- Charges may be subject to change in the future.

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.

August

Half year report published.

Corporate Information

Directors

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

Manager and Secretary

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